FALL ISSUE

Friends of Financial History

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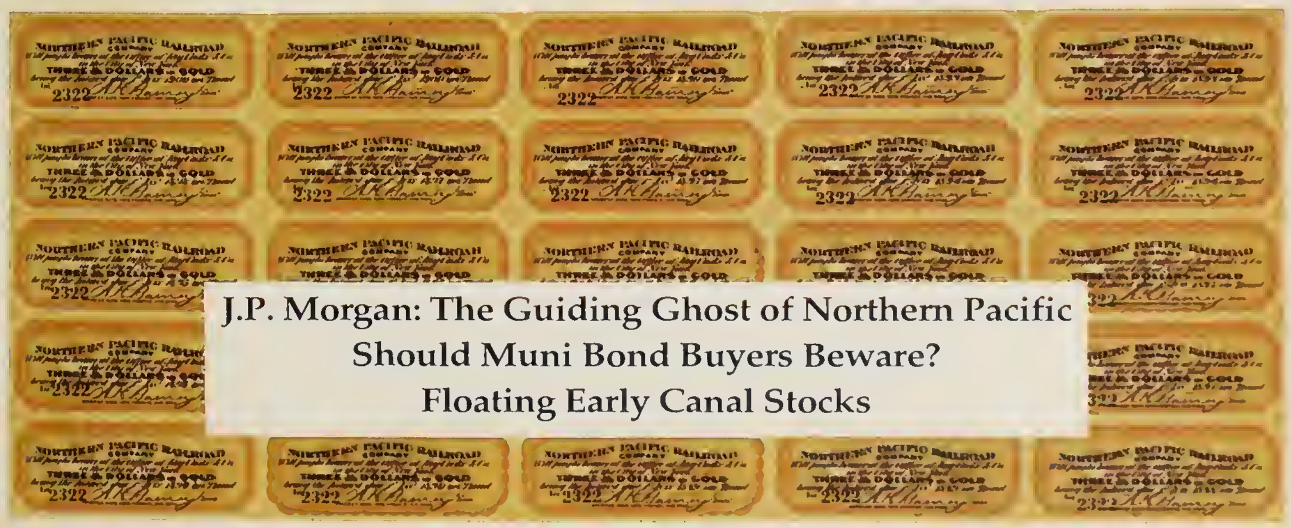

J.P. Morgan: The Guiding Ghost of Northern Pacific

Should Muni Bond Buyers Beware?

Floating Early Canal Stocks

Plus: Financing Women's Suffrage, Book Reviews, Street Slang


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FRIENDS OF FINANCIAL HISTORY

FRIENDS OF FINANCIAL HISTORY
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EDITOR
Jason Zweig

MANAGING EDITOR
Anne T. Keane

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Letters to the editor are welcome; please send them to Friends of Financial History at the address above.

Letter from the Editor

THE MUNI GAME. With Bridgeport, Connecticut, trying to declare bankruptcy, and Chelsea, Massachusetts, in receivership, should holders of municipal bonds be worried about a tidal wave of defaults? Wondering whether history has any lessons for today's muni investors, we asked Robert Godfrey, head of research at bond insurer MBIA Corp., to compare past and present for us. Godfrey, who knows as much about municipal bonds as anybody around, looks at history and finds it reassuring. See p. 14.

MORGAN'S GHOST. *Friends* is proud to have a contribution this issue from Richard S. Wilson, director of research at Fitch Investors Service, and a long-time scripophily buff and member of the Bond & Share Society. Wilson, a past president of the Fixed Income Analysts Society, is a leading authority on corporate bonds who has a special interest in J.P. Morgan. Starting on p. 6, Wilson looks at how the master financier structured railroad bonds so that it took nearly a century for lesser minds to break the indentures.

BOOKS. As usual, we have two book reviews this issue: one of a new book, one of an old. We're particularly excited to have Robert A.G. Monks and Nell Minow, America's pre-eminent advocates of shareholders' rights, reviewing the new book *Wall Street*, by Walter Werner and Steven T. Smith. And for something old, antiquarian bookseller Ray Boas reviews *Men and Mysteries of Wall Street*, 1870, by James K. Medbery. See p. 28.

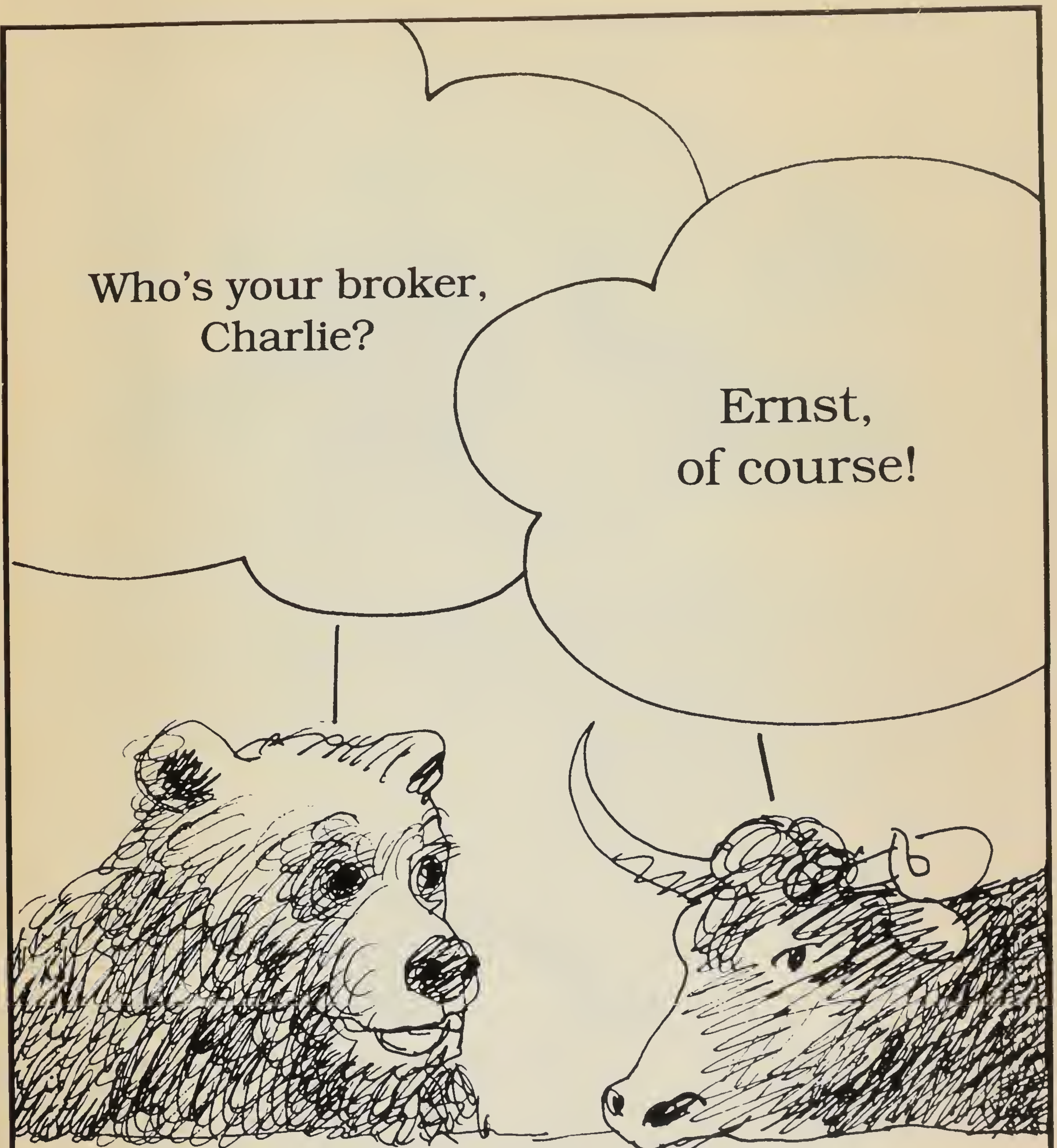
AND MUCH MORE. The distinguished collector Sanford Mock discusses a stock certificate that illustrates the early history of the women's movement (p. 24). Philip Lord of the New York State Museum describes rare certificates that illuminate the beginnings of canal construction (p. 20). A long-lost bond may be worth either $6 million or $30 to its owners in Oklahoma; see page 44. And in our language column (p. 32), we look at those fighting words, *bull* and *bear*, *long* and *short*.

After you read *Friends*, let us know your likes and dislikes. We want to hear from you.

Jason Zweig

ACKNOWLEDGEMENTS

Michael C. Ballinger, MBIA Corp.; Cynthia Crystal, Linda Stinson, FORBES Magazine Library; Sylvan G. Feldstein, Merrill Lynch & Co.; Marjorie Kaplan, Richard D. Irwin, Inc.; Byron Klapper, Mary Radford, Fitch Investors Service; James A. Lebenthal, Chairman, Lebenthal & Co.; Joe Mysak, Managing Editor, *The Bond Buyer*; Carlisle Spivey, FinSearch Manager, *American Banker/The Bond Buyer*.


Who's your broker, Charlie?
Ernst, of course!

Letters to the Editor

WILD PITCH
Maybe Warren Buffett should have read your article ("Wild Pitch," Summer 1991) in *Friends*, or maybe he follows the rule "Don't make any mistakes when you are young so you can make them all when you get old," or is Warren getting silly in his "old age"? What's $1.25 million to Buffett? (See newspaper article below.)

Professor Pat Ellebracht
Northeast Missouri State University
Kirksville, MO

PLAY BALL, COMRADES
It is both entertaining and educational to finally find a publication which brings American financial history to life. The 'paper trail' left by over 200 years of American business development and experimentation amounts to a treasure trove of endlessly fascinating portraits of our financial past as exemplified so well by your cover story on the early days of investing in baseball. I think President Bush might best accomplish the task of assisting the Soviets' conversion to capitalism by sending them massive quantities of *Friends* to both inspire and inform them with examples from history's greatest capitalist success story. Your magazine could serve as both a practical guide and fascinating reading for those nascent capitalists. There is also no doubt that American students of all ages would benefit by becoming regular readers of the magazine. *Friends of Financial History* is certainly filling a real need. Keep up the good work.

Arthur R. Piccolo
Brooklyn, NY

HAMILTON
The last two *Friends* (issues 41 and 42) contained some interesting tidbits concerning the life of Alexander Hamilton. As a student of American history I found them enjoyable. To those who are interested in the life of Mr. Hamilton, I highly recommend an excellent two volume biography of Alexander Hamilton by Robert Hendrickson (Mason/Charter, New York, 1976). It is an unbiased biography telling it like it is, with no punches pulled, the good and the bad.

Irv Golden
Phoenix, AZ

E-2 The Kansas City Star Sunday, July 28, 1991

Omaha financial wizard plans to buy into Royals farm club

Omaha's Wall Street wizard Warren Buffett plans to whip out his checkbook later this year when he buys into the Omaha Royals for $1.25 million, Buffett told an Omaha newspaper.

Buffett

"When the time comes, I'll just write a check," Buffett told the *Omaha World-Herald* recently.

Buffett has agreed to buy a fourth of the minor league baseball team for $1.25 million. That's a mere blip in the investor's $4.4 billion net worth, according to *Forbes* magazine's list of the world's richest people.

Much of Buffett's wealth is tied up in stock of Berkshire Hathaway Inc., an insurance and investment company whose shares trade currently for about $8,500 each. But Buffett told the Omaha newspaper that he won't need to cash in any shares to buy part of the Omaha Royals.

Buffett, however, plans to offer other investors bits of his piece in the baseball team, according to the newspaper. His asking price is $100,000 a share.

— Mark Davis

Letters to the editor are welcome and should be sent to Letters to the Editor, Friends of Financial History, 26 Broadway, Room 200, New York, NY 10004-1763

Morgan's Ghost

Restructuring the debt of distressed companies is nothing new. One company, the Northern Pacific Railroad Co., went in and out of bankruptcy twice in the late 19th Century. Then J.P. Morgan broke the cycle of boom and bust forever.

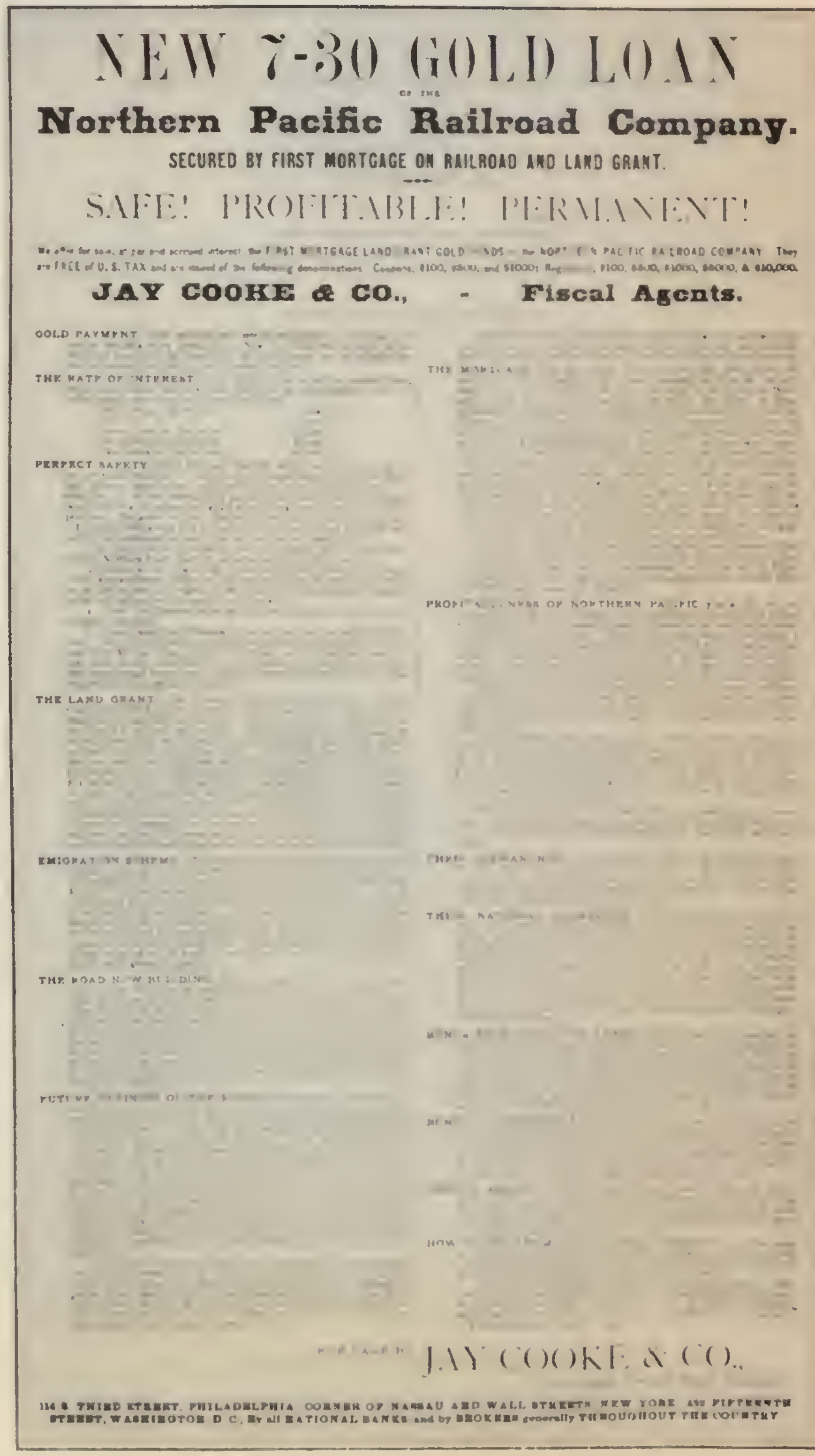
By Richard S. Wilson

This is a story about a couple of corporate bonds that have been in the news over the last decade. Yet they are not just debris from the "junk bond" binge of the 1980s. These bonds date back a century to the heyday of the Naughty Nineties, and their roots are even older.

On July 2, 1864, Abraham Lincoln signed the charter of the Northern Pacific Railroad Co., authorizing the construction of a railroad from Lake Superior to the Pacific Ocean across Wisconsin, Minnesota, North Dakota, Montana, Idaho, Washington and Oregon. Northern Pacific won the largest land grant ever given to a railroad, some 60 million acres to be granted gradually as track was laid across the land. The enormous land grant, Congress rightly felt, would help develop the West. While the railroad defrayed its construction costs by selling land to settlers along its right of way, the settlers would prosper from shipping goods and produce over the new rails.

After a slow start, the venture got on track when the organizers brought in the great banker Jay Cooke. He became a large shareholder and started work on financing the construction of the railroad. Cooke figured it would cost $85 million, or close to $43,000 per mile, to build the railroad. In 1870, he designed an issue of $100 million of 7.30% bonds, due in 1900. The bonds were secured with a first mortgage on all the company's properties, including the land grants expected to be awarded. They were also exchangeable, at the option of the holder, into land at the equivalent of $2.50 per acre. (A holder of a $100 bond, in other words, could become the owner of 40 acres of land.)

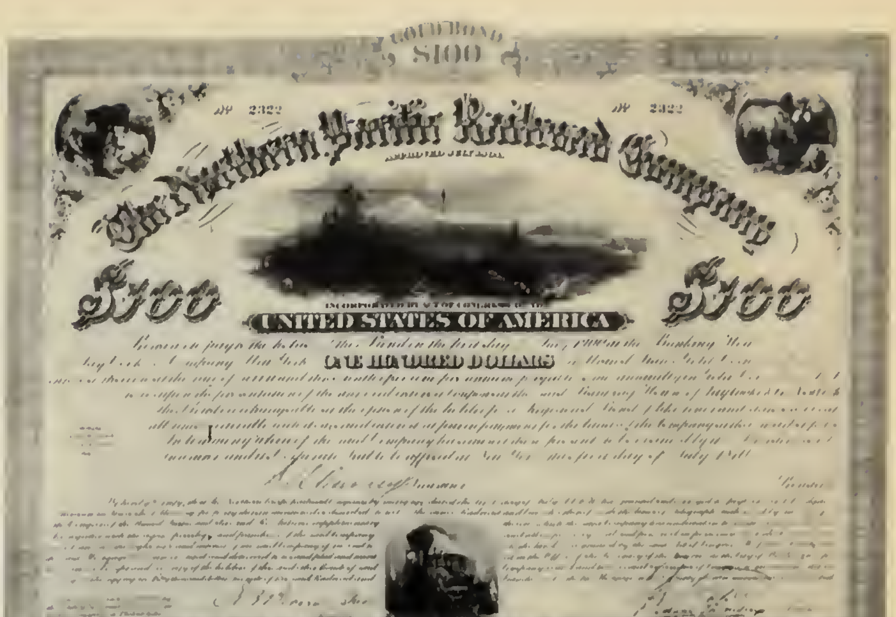
The bonds, in denominations of $100, $500, $1,000, $5,000 and $10,000, were continuously sold not just in Philadelphia and New York, but also in Amsterdam, Berlin, Frankfurt, Paris, and London. As underwriter, Jay Cooke & Co. bought the bonds at 88 and resold



them at 100. That 12-point difference beggars today's underwriting spreads on corporate bonds, which vary from about half a point to around three points.

Construction finally began in February, 1870, and the bonds sold well. However, bond sales slowed in 1871 and stalled in 1872. On both sides of the Atlantic, the Union Pacific-Credit Mobilier scandal, the aftermath of the Franco-Prussian War, and competing issues from other U.S. railroads hurt demand for the Northern Pacific bonds. Although Cooke advanced funds to the railroad, its finances worsened. Then Northern Pacific failed to get a $40,000-per-mile construction subsidy approved by Congress. With money getting tighter, land values ceased rising, and a few small banks failed. Finally, on September 18, 1873, Jay Cooke & Co. shut down, and others quickly followed. The next day, "Black Friday," the stock market crashed. Cooke had already underwritten about $30 million of the 7.30% bonds, which sank to deep discounts in the markets.

The Northern Pacific was struggling to survive. In December, 1873, it proposed that bondholders take new, cheaper securities in exchange for the old bonds, but investors refused. With construction at a halt, Northern Pacific defaulted on June 30, 1874. In April, 1875, a receiver was appointed; the next month a reorganization plan was submitted. The bondholders received new 8% preferred shares and the old stockholders received new common stock.

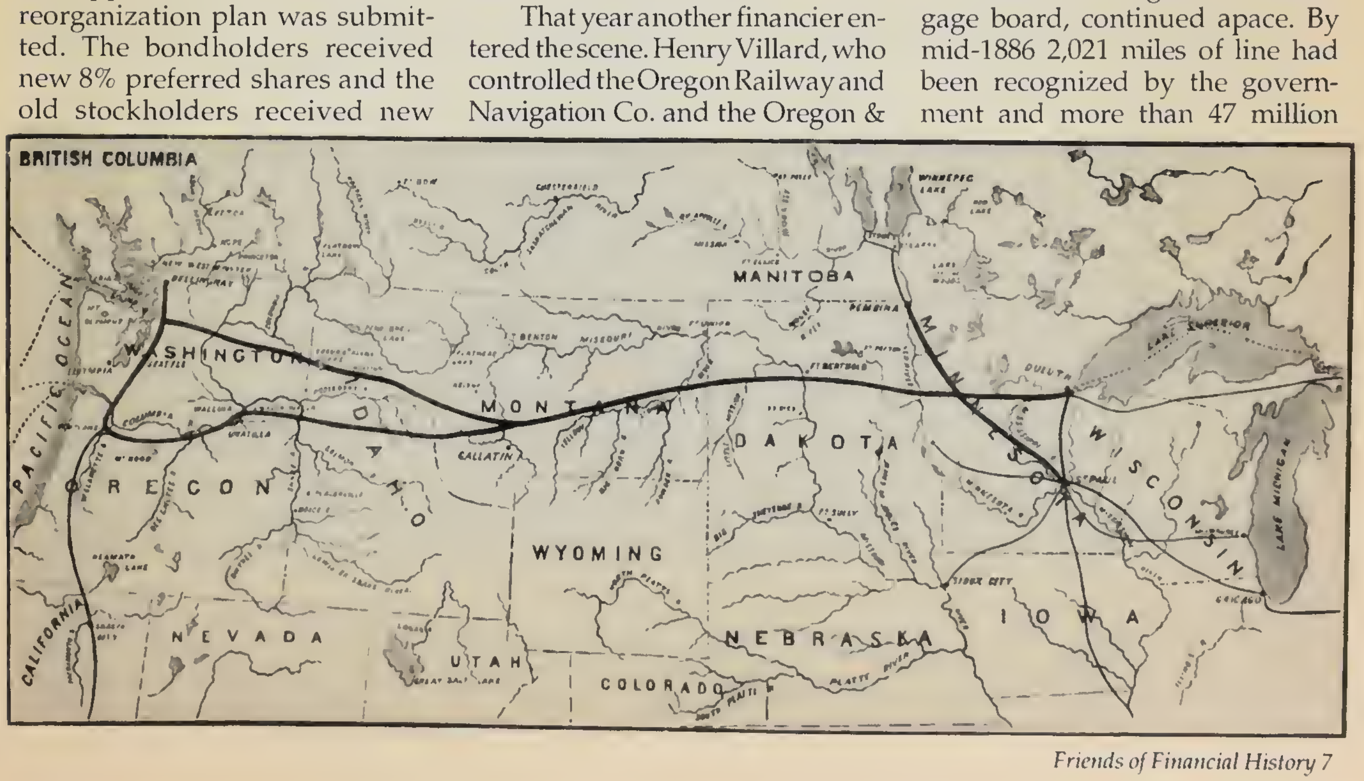


The Northern Pacific Railroad Company, $100 gold land grant bond, July 1, 1870, "secured...by all the lands of the Company," signed by Jay Cooke.

As the economy recovered after the Panic of 1873, so did the Northern Pacific — and it was able to get fresh financing again. The NP issued $2.5 million of 40-year 6% first mortgage bonds of the Missouri Division to its preferred shareholders in 1879. Then, in 1880, a syndicate led by Drexel, Morgan & Co. of Philadelphia, the leading banking house in the U.S., underwrote $40 million of 6% 40-year first mortgage gold bonds. The issue was oversubscribed.

That year another financier entered the scene. Henry Villard, who controlled the Oregon Railway and Navigation Co. and the Oregon & Transcontinental Railroad Co., bought an interest in the Northern Pacific and was made president. Construction continued, and on September 8, 1883, the main line was officially completed. The second transcontinental route was 1,675 miles long. But just three months later, Villard — who was having financial and legal difficulties with his other railroad holdings — resigned as president.

Construction of the branch lines, each separately incorporated and financed through its own mortgage board, continued apace. By mid-1886 2,021 miles of line had been recognized by the government and more than 47 million



acres granted to the Northern Pacific, making it the largest private landowner in the United States.

Soon, health gave way to hubris. By mid-1887, when Henry Villard returned to the NP's board as a representative of the Oregon & Transcontinental, bonded debt was up to $72 million from $62 million in 1884. By the end of 1887 mortgage debt had risen to $83 million, not counting branch and divisional liens. In 1890, to gain entry into Chicago, the NP leased the unprofitable Wisconsin Central Railway. Debt continued to climb as the railroad overexpanded and earnings slowed. The preferred dividend was passed in May, 1892. The company remained under pressure as traffic shrank in the depressed northwest. Worse, there was a passenger rate war between the Northern Pacific and the Great Northern. Cash dwindled, and Villard resigned again in July, 1893. With debt more than $152 million, upcoming payments could not be met; on August 15 the NP went into receivership.

The purpose of receivership is to restore a bankrupt company to financial health. But groups with different interests in a company can be bitterly opposed, and reorganization often resembles war. One of the first things the receivers asked of the court was to void the NP's lease of the Wisconsin Central. In September, 1893, the court did so; two days later the Wisconsin Central was bankrupt. In October the Northern Pacific's old management was voted out and a new board took over. While shareholders sued, accusing the old management of fraud and diverting funds, the new directors bickered with the receivers. Finally, business was poor in the aftermath of the Panic of 1893.

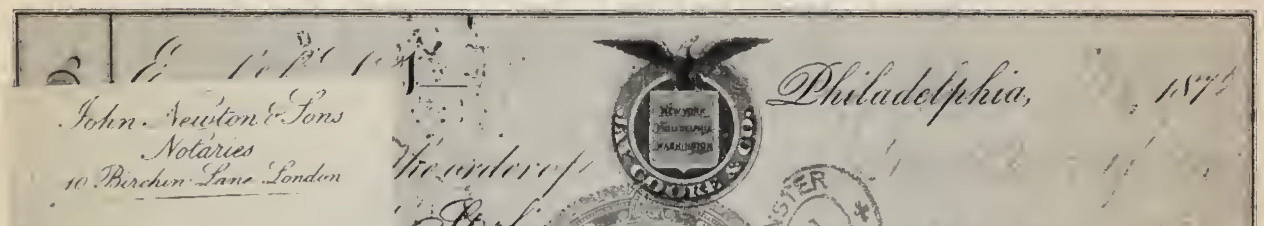
In June, 1895, an initial reorganization plan was presented by J.P. Morgan & Co., E.D. Adams of the Mercantile Trust Co., who represented the bondholders' committee, and James J. Hill of the competing Great Northern Railway. Also on the committee were officials of the Deutsche Bank of Berlin, representing the German bondholders.

Hill wanted cooperation, not competition, from the Northern Pacific. He proposed that, in return for half of the NP's stock and a majority on the board, his Great Northern would guarantee payment on new bonds to be issued to existing creditors. But outraged investors refused to accept the plan.

Business picked up in the second half of 1895, and by early 1896 the reorganization committee proposed a second, less controversial plan — this time shaped by Morgan himself — that bondholders readily approved. The reorganizers found a dormant line with a favorable charter, the Superior and St. Croix Railroad Co. They renamed it the Northern Pacific Railway Co. The new NP Railway bought the old NP Railroad at auction on July 25, 1896, for $61.5 million.On October 26, the directors were chosen, including E.D. Adams and two members representing J.P.Morgan & Co.

Why did J.P. Morgan, then 59 years old, get involved in this reorganization? He had made a name for himself and his firm by reorganizing several railroads, including the Philadelphia & Reading and the Chesapeake & Ohio. What's more, J.P. Morgan & Co. had been bankers to Northern Pacific for many years. Morgan felt an obligation to bondholders to right things when they went wrong. He once said,"The kinds of bonds which I want to be connected with are those which can be recommended without a shadow of doubt, and without the least subsequent anxiety, as to payment of interest as it matures." A century later, this attitude is all too rare in the investment community!

Let's look at the reorganization plan, which was designed to



On August 16, 1873, Jay Cooke & Co. issued this draft for 1 pound sterling to John Thompson. When Thompson tried to present the draft for payment in London on September 19, he was turned away. Although Cooke's firm had failed only the day before, the new Transatlantic cable had already carried the news to London — freezing even payments as small as this one.

cut waste, improve operations, reduce fixed charges and obtain fresh capital. To keep the company under the control of J.P. Morgan and out of the hands of Hill, a voting trust was established. The common and preferred shares were deposited with the trustees, and voting trust certificates ("VTCs") were issued to raise new capital. Common VTCs were offered to old common shareholders for $15 per share. Preferred shareholders received 50% of their claims in new 4% preferred trust certificates and 50% in common VTCs after paying an assessment of $10 per deposited share. Some of the new securities were also sold to outside investors through a syndicate led by Morgan and Deutsche Bank.

Northern Pacific Railway also issued $115 million in 4% Prior Lien Railway and Land Grant Gold Bonds, due 1997, and $51 million in 3% General Lien Railway and Land Grant Gold Bonds, due 2047. A blend of these bonds and the preferred stock trust certificates satisfied the claims of the creditors. Of course, creditors with more senior claims received greater amounts of the new senior securities.

The 1896 reorganization circular to the old bondholders stated,

> "It is manifestly to the benefit of the holders of the general first mortgage bonds to secure an investment of longer continuance, and it is also to the benefit of all subsequent securities to diminish this unnecessarily large burden of annual fixed charges...."

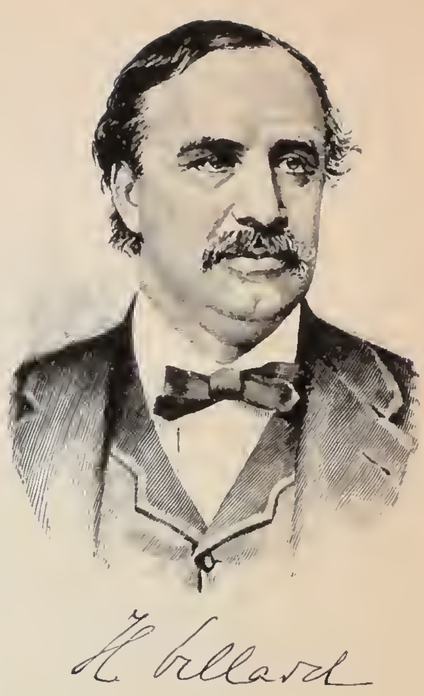
Furthermore, Morgan's plan conferred unprecedented new rights on the existing bondholders. To ensure that his firm's reputation would not be smirched by another default, he added a vast amount of security — both physical and psychological — to the Northern Pacific's new bonds. He consolidated all the earlier mortgages on any of the railroad's properties, then gave the bondholders first claim on the entire bundle of assets. It was a breathtaking transformation: Formerly suffering bondholders suddenly found themselves with a steely grip on more corporate property than they could ever have dreamed possible. The reorganization circular explained,

> "The advantage is obvious of a mortgage resting upon a complete and entire system, including main line and all branches brought into the company, together with terminals, land grants and equipment, and having over $200,000,000 of bond and share capital behind it, securing a gold bond running one hundred years, as compared with a bond at all times liable to compulsory retirement and secured by only part of the system."

The 4% prior lien bonds were secured by a first mortgage on substantially all of Northern Pacific's property, including stock in various affiliates and millions of acres of land under the land grants. The 3% general lien bonds were secured by a second mortgage on the same properties. The "gold" in their titles meant that interest was payable in gold coin or currency of the United States, while "land grant" meant that the bonds were secured by the land grants.

The prior lien bonds bore interest from January 1, 1897, payable quarterly at J.P. Morgan & Co. in New York or at Deutsche Bank in Berlin. The general lien bonds also paid interest quarterly, beginning February 1, 1897. Both issues came in coupon form in denominations of $500 and $1,000, or registered in multiples of $100. The prior lien bonds matured in 100 years, the general lien bonds in 150 years. These Methuselah-like maturities, unimaginable in today's world of fast money, were not unusual at that time. Some of these ancient bonds, in fact, have survived into modern times: the Toronto, Grey & Bruce Railway Co.'s 4% bonds issued in 1884 and due in 2883 (still outstanding, and the longest maturity listed in Moody's), the Elmira and Williamsport Railroad Co.'s bonds issued in 1863 and due 2862, and the West Shore Railroad Co.'s 4% bonds issued in 1886 and due 2361. (The last two bonds were redemed in the Penn Central reorganization settlement of 1978.)

Unlike today's publicly issued bonds, whose indentures have more holes than Swiss cheese, the Northern Pacific bonds had tightly written indentures — guided by the stern hand of J.P. Morgan. The bonds were not callable for life. The underlying mortgages could not be amended, nor could any collateral be released, without the consent of all the bondholders. The two issues did not have a sinking fund, so that no fixed amount of bonds was mandated to be redeemed each year. But up to $500,000 from any sales of land grants could be offered first to redeem prior lien bonds (at prices up to 110), then to redeem general lien bonds (at no higher than par). If bondholders did not wish to redeem their securities, any of the $500,000 that remained would be held for future redemptions or to improve the properties of the railroad — directly benefiting the bondholders. Even better, if the sales of land grants generated more than $500,000 in a given year, all the extra proceeds had to be used for extending and improving the railroad's properties. The managers and shareholders of the railroad could not get their hands on any of the properties backing the bonds until all the bonds matured.



Henry Villard, the on-again, off-again Northern Pacific board member.

Morgan's plan revitalized the Northern Pacific. The new capital went to construct new branch lines, to buy existing railroads, to purchase stakes in terminal and transfer companies, and to upgrade rails, roadbed, tunnels and bridges. Operationally and financially, the company sprang back to life, just as the national economy sat up after the depression of the mid-1890s. In December, 1897, the preferred stock resumed paying its dividend; a year later dividends were restored on the common stock. Sales of the land grants picked up too, enabling the NP to retire some of its debt. Among the largest sales was one of 900,000 acres of timberland at $6 per acre to the Weyerhaeuser Timber Co. in 1900.

The reorganization was so successful that the trustees voted to dissolve the voting trust on January 1, 1901 — ten months before it had been scheduled to expire. The common and preferred stock were listed on the New York Stock Exchange on January 11, 1901. By springtime, the manipulation that Morgan had designed the voting trust to prevent was already in full swing: Northern Pacific stock was run up as high as $1,000 a share in a short squeeze. Two titans, E.H. Harriman of the Union Pacific and James J. Hill of the Great Northern, were slugging it out. After Hill, in league with the Northern Pacific, snatched the strategic Chicago, Burlington & Quincy Railroad right out from under Harriman's nose, Harriman struck back by trying to corner the stock of the NP. After a ferocious battle that lasted until the end of 1901, the warring giants decided to form the Northern Securities Co. as a holding company to buy all the stock of both the Great Northern and the Northern Pacific. But the federal government sued on antitrust grounds and won in the Supreme Court, and the shares were redistributed to the public in 1905. Still, throughout all this chicanery, the bonds remained solidly rooted in bedrock.

As time passed, large amounts of the land grants were sold or given back to the federal government. But great tracts of the millions of remaining acres turned out to be rich in timber, oil, natural gas, and valuable minerals. In 1959, the management of the Northern Pacific tried to get some of those rich properties released from the mortgage, but the trustees responded that the indentures prohibited it. Morgan's ghost was still protecting his bondholders.

In early 1961, the Great Northern and the Northern Pacific again tried to merge. After many legal and regulatory challenges, on March 3, 1970, the Northern Pacific, the Great Northern and the Chicago, Burlington & Quincy became the Burlington Northern Railroad Co.

But the management of the newly named rail network was still hankering to get its hands on the valuable timber and minerals that had been found on the land grants. In 1973, the Burlington Northern hired two law firms to see what could be done; the frustrated reply was "that the mortgages barred all means of substituting collateral."

On January 26, 1981, the railroad announced plans to form a holding company, Burlington Northern Inc. The firm's management stated that it wanted to develop the non-transportation parts of its business. That set off a speculative frenzy in the old bonds, which had been nearly forgotten, particularly since they paid a paltry 3% and 4% interest in inflationary times. The prior lien bonds had been trading in the mid-40s and the general lien bonds in the mid-30s. But, by early 1982, the prior liens had hit 68 and the general liens were up to 78.

Speculators were betting that Burlington Northern was so desperate to break Morgan's posthumous stranglehold on its assets that the company would be willing to buy back the bonds at a substantial premium to their market price. *The Wall Street Journal* quoted one investor saying that it was not a gamble, but a "lead-pipe cinch," that Burlington Northern would offer at least 100 per bond, so that the company could finally free itself from the fetters of Morgan's indentures. But the frenzy eased as

J. Pierpont Morgan, the mastermind of Northern Pacific's reorganization.

Burlington Northern sat on its hands. Prices for the Northern Pacific bonds drifted lower over the next few years, until the bid for the 4% Prior Lien Bonds hit $51\,^{3}/_{4}$ and the 3% General Lien Bonds went to $35\,^{3}/_{4}$ on April 19, 1985.

The next Monday, April 22, 1985, Burlington Northern announced a tender offer for the Prior Lien Bonds at $53\,^{1}/_{2}$ and the General Liens at 39. Again, the company's goal was to pry the valuable properties loose from the mortgages. Burlington Northern would discharge any untendered bonds by depositing with the trustees enough U.S. government securities to pay off the remaining debt service. The trustees, in turn, would release the properties. Burlington Northern pointed out that any untendered bonds would remain secured by the mortgage liens on the railway's operating assets, which included 4,074 miles of main and branch lines and rights of way, with a book value of some $600 million. But the bondholders still came up short, since the land-grant properties were worth considerably more than the present value of the principal and interest payments on the bonds.

At the time, $69.9 million (par value) of the prior lien bonds and $47.8 million of the general lien bonds remained outstanding. The properties under the disputed mortgages included 1.9 million

acres owned outright, plus the right to develop 2.4 million acres of mineral-rich land in Minnesota, North Dakota, Montana, Wyoming, Idaho, Washington and Oregon.

The tender offer stated that eliminating the land-grant restriction would greatly increase the company's flexibility to "manage, operate, pledge and dispose of, and engage in more efficient long range planning with respect to, these assets in the same manner as its other unencumbered assets."

But that was nothing like what Morgan had promised them nearly a century earlier, and the bondholders were enraged. They immediately sued to block the company's plan, demanding that Burlington Northern negotiate with all the bondholders about the property. The bonds rose above Burlington Northern's tender offer as speculators bet that the company would have to sweeten the deal. The bondholders quickly got a court order enjoining Burlington Northern from completing the tender. By June, so many lawsuits had piled up that they were consolidated as a class action against Burlington Northern. The company backed off, cancelling the tender and returning the few bonds that it been able to buy back.

A group called the Gold Bondholders Protective Council, Inc. was particularly pleased. It felt that since the interest on the bonds had originally been payable in gold, Burlington Northern should be forced to buy out the bondholders with gold. Since the bonds were issued when gold was $20 an ounce, and it was above $300 an ounce in 1985, that would have been a bonanza for the bondholders. Wrote *The Puget Sound Business Journal:*" The bondholders want to make sure there's enough collateral to back the value of the bonds in gold, not in greenbacks" — and there certainly was, if the land-grant properties were included.

In April, 1987, after two years of bickering, Burlington and the bondholders reached a settlement.

Northern Pacific Railroad Company reorganization certificate of deposit. in the amount of 10 shares, May 18, 1896, with an authorized J.P. Morgan & Co. signature.

The bondholders agreed to release the land-grant properties from the lien in return for a onetime payment (or "holdup premium") of $35.5 million. The bonds remained outstanding, and Burlington Northern remained committed to paying interest and principal. The special payment came to $15.18 per $100 for each 4% bond and $46.96 for each 3% bond.At the time of the settlement, the 4% prior lien bonds were trading at 83 and the general lien bonds at 75.

Despite objections by a minority of obstreperous bondholders — including the gold bugs — the settlement was approved in court on November 25, 1987.

The settlement became effective February 1, 1988, 91 years after the bonds were issued. Payment was made to all bondholders who sent their certificates to the escrow agent, Morgan Guaranty Trust Co. of New York, a descendant of the old J.P. Morgan & Co. The certificates and their interest coupons were stamped by the agent attesting that the payment was made. The financial adviser to Burlington Northern was Morgan Stanley & Co., another descendant.

That settlement isn't the end to the story. At the end of 1990 Burlington offered to exchange the Northern Pacific bonds for new Burlington bonds, primarily to record an accounting gain on the retirement of the old debt securities and to consolidate some of the debt under a single mortgage. But, even after investors turned in their old bonds for new ones, some original Northern Pacific bonds are still outstanding and occasionally trade on the New York Stock Exchange. In late October, 1991, the stamped 4s traded at 80 1/8 and the stamped 3s at 32 1/2. The unstamped 3s were 77 1/2; no trades took place in unstamped 4s. Add back the special payment that was made just over two years ago, and the owners of the 4s have bonds worth more than 95% of their par value, while the 3s are at nearly 80% of par!

Those prices, and the stubborn survival of the bonds, are a fitting tribute to J.P. Morgan. Nearly a century after Morgan created the bonds, and nearly 80 years after his death, he is still ensuring fair treatment and firm value for his investors.

Richard S. Wilson, managing director for research and private placements at Fitch Investors Service, is the co-author of ***The New Corporate Bond Market*** *(Probus Publishing Co., 1990).*

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Default Lies Not in Our Stars, But in Ourselves

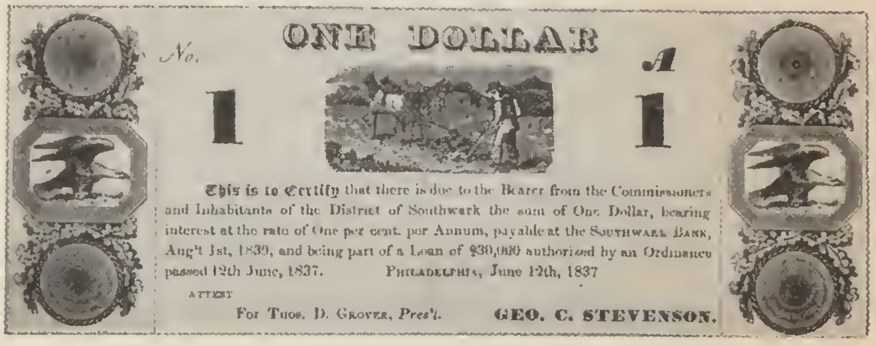
Amid the gloomy daily headlines about municipal finances, does history offer any encouragement to worried investors?

By Robert R. Godfrey

The last couple of years have been ugly for municipal finance in the U.S. Earlier this year, Bridgeport, Conn., tried to file for bankruptcy. The cities of New York and Philadelphia repeatedly have had to combat rumors of impending insolvency. With Massachusetts bonds carrying a riskier credit rating than those of many leveraged buyouts, Chelsea, Mass., went into receivership earlier this year.

The times seem to call for us to step back and put things in historical perspective. How bad are the finances of American municipalities? Are we about to be hit by a tidal wave of defaults? Will municipalities soon flock into bankruptcy court? What can the history of municipal bonds show us about the prospects for today's issuers and their securities?

The earliest defaults on municipal bonds are difficult to date, since there are few surviving records indicating when municipalities first issued their own securities. The original Thirteen Colonies, of course, issued as much as $25 million in debt to finance the Revolutionary War and their wartime governmental activity. Amid war, hyperinflation, the lack of a stable currency and a stable government, most small debtholders sold out at less than face value in the 1780s. But, once consolidated in the hands of larger speculators, even those disastrous debts were largely paid off at face value, so we shall have to look for the earliest defaults elsewhere.



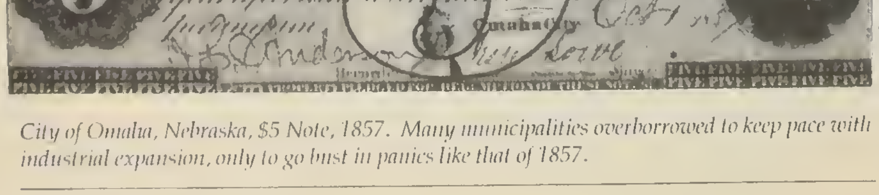
District of Southwark, Philadelphia, $1 Note, 1837. The drastic deflation that followed the Panic of 1837 probably drove this municipality into default.

Courtesy of Sylvan G. Feldstein and Richard D. Irwin, Inc.

True municipal bonds, in the modern sense of securities issued by local governments, do not appear to have become common until the early 1800s. There may have been private loans to New York City as early as the mid-1600s, and the city began borrowing from banks and merchants in earnest in the mid-1700s. But the city's first bonded debt, and one of the first in the nation, was probably the $600,000 bond it issued at 6% in July, 1812. The local governments of the young nation needed capital improvements if they were to keep pace with their human and industrial expansion. Water projects, boardwalks, turnpikes, plank roads, and public schools all were vital to local growth, and all required greater capital than the local banks or merchant lenders were willing to provide. Western expansion, and the desire of the seaboard and inland states to tie themselves together first with canals and then with railroads, sparked even greater growth in municipal bonding.

It appears that the first municipal bond defaults occurred in the Panic of 1837. Between 1837 and 1869 — a period of violent economic expansions and contractions — there were a total of 68 defaults, with the first city default occurring in 1839 on a bond issued by Mobile, Ala. Around 1837, some $245 million in par value of state and local debt was outstanding, and it appears that there was a permanent loss through default of about $14.7 million, or 6.1% of the total.

The drastic deflation that followed the Panic of 1837 dealt a terrible blow to many issuers. However, many of the municipal bonds of the period either were used for rather unconventional purposes or were dependent for their interest payments on local invest-



City of Omaha, Nebraska, $5 Note, 1857. Many municipalities overborrowed to keep pace with industrial expansion, only to go bust in panics like that of 1857.

Courtesy of Sylvan G. Feldstein and Richard D. Irwin, Inc.

Courtesy of Sylvan G. Feldstein and Richard D. Irwin Inc.

City of New Orleans, $1000 Bond, 1862. This general obligation bond defaulted after Union General Benjamin "Beast" or "Spoons" Butler pillaged the city's finances.

ment crazes. Land speculation in Ohio, for example, raised unrealistic expectations of tax revenue and user fees for municipal issues. It is interesting to note that of the 12 recorded defaults on state and local bonds from 1839 to 1844, only one was on what we would today call a general obligation bond. Two were for railroad projects, one for water works, and the other eight helped finance the most speculative ventures of that period: banking and canals. Already a lesson emerges: general obligation bonds, backed by the full taxing power of the local government, seem to have safely weathered the nation's early economic storms.

During the financial devastation of the Civil War, the same pattern becomes even more apparent. From 1860 to 1864, 27 municipal bonds are known to have defaulted, of which 25 were issued to finance railroad projects and two for government buildings. No general obligation bonds were among the defaults. In the wake of the war, from 1865 to 1869, six municipal railroad issues and four bridge or road issues defaulted, versus just one general obligation issue.

One reason general obligation bonds were relatively safe is that then, as now, the definition of other municipal bonds was sometimes rather broad. For example, without precedent or authorization, officials of Winslow Township, N.J., issued bonds to fund an army draft for the Civil War; the debt was declared void in 1872. In 1864, Mullica Township, N.J., issued bonds to finance bounty payments to Civil War volunteers — then defaulted. Similarly, Jackson Township, Pa., issued debt to pay back local residents who had financed volunteer soldiers — but the bond issue had never been approved by voters, and a court overturned it, leaving bondholders in the lurch.

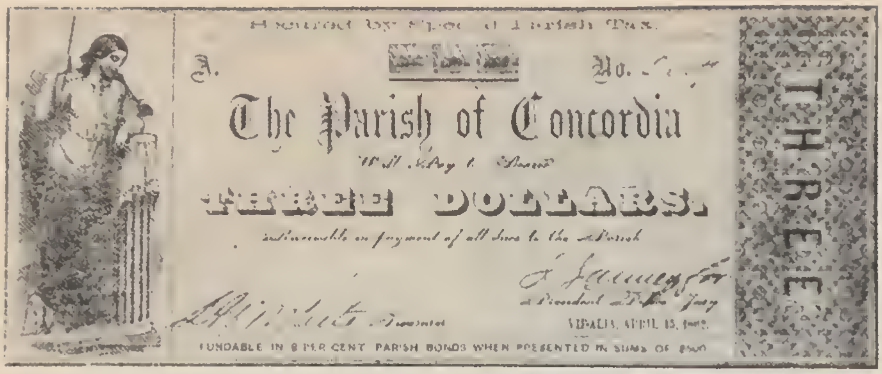
Peace paved the way for speculation. As towns and cities multiplied like mushrooms, as railroads shot their tentacles across the land, the quality of municipal debt plunged. Local governments were caught up in the frenzy of railroad speculation. They attempted to piggyback onto the boom by issuing railroad aid bonds to lure a railroad line into their communities. These bonds were the ancestors of today's industrial development bonds and project financings for start-up enterprises. They were also full of fiscal danger. As Albert M. Hillhouse wrote in *Municipal Bonds: A Century of Experience*, "Many a town or city saw itself marked by destiny as a future metropolis if only it could outstrip its rivals in railroad facilities. When a promoter made it plain that unless more aid could be furnished by Town 'A,' the road could be built by way of rival town 'B,' Town 'A' forgot that there was a bottom to its municipal purse." Mountebanks like Col. Beriah Sellers, in Mark Twain's novel *The Gilded Age*, whipped local governments into a fever of debt issuance. Col. Sellers declared that his canal and railroad would bring a shower of wealth to the mudflats of tiny Stone's Landing, Missouri: "Oh, I warn you, my dear, there's a good time coming, and it'll be right along before you know what you're about, too. That railroad's fetching it." By 1870, municipal debt outstanding had reached $900 million, half of which had been issued in the previous decade alone.

The speculation itself became a substitute for future revenues to back the bonds. Hillhouse quotes a prospectus for a municipal issue that helped finance a railroad project:

> "Were the company to purchase a million acres of the lands adjacent to the work, the increase alone in the price of the lands so purchased, would, before the work is half completed, pay for the entire construction of the work. The mere location of the route would triple the price of every acre of land within two miles of it. All that is wanted is capital to be invested in lands, and to go with the work for a short time without being compelled to make sale of them."

In effect, the prospectus told investors, the mere fact that the underlying project was a railroad would trigger such real estate speculation that the future would take care of itself.

That railroad-and-real-estate bubble burst with a bang. The Panic of 1873, and the depression that followed, provided a second lesson for municipal bond investors: an economic slowdown can demolish poorly conceived municipal issues. During the 1870s, there were 168 recorded defaults, the vast majority of them on bonds that financed railroad projects. Outright fraud was a large cause. Wrote Ward Bishop, an historian of municipal finance in Illinois: "A newly organized railroad company would



Courtesy of Sylvan G. Feldstein and Richard D. Irwin, Inc.

Parish of Concordia, Louisiana, $3 Note, 1862. A casualty of the financial devastation wreaked by the Civil War and its aftermath.

move its little horde of Irish laborers into a community and after employing attorneys and getting the issue far enough along for an election, would get the laborers naturalized, and before the local taxpayer realized, he was paying taxes to aid the railroad."

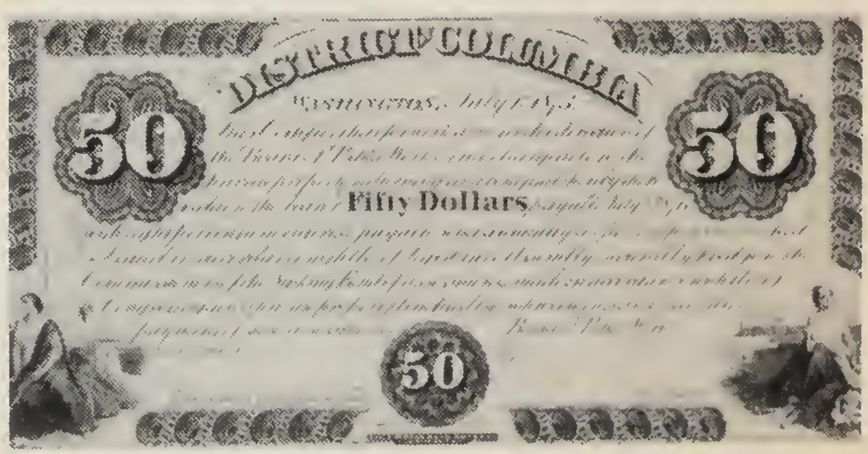
Reconstruction and the aftermath of the Civil War were harsh times for municipal bonds in the South. The carpetbaggers who took over Columbia, S.C., after the Civil War sold the city's 150,000 shares of stock in the Greenville and Charlotte railroads, "made away with the proceeds, and defaulted upon the city's bonded indebtedness."

To some extent, the markets did recognize the risk in many of these municipal projects. The issuers, often small and remote towns, had to pay interest rates as high as 8% to 10% at a time when the U.S. Treasury refinanced its outstanding debt at 4% to 5%. Meanwhile, the wholesale price index fell by 34% between 1873 and 1879, making it almost impossible for financings dependent on rapid expansion to succeed. Deflation caused almost instant devastation in the municipal bond market: of the $472 million of defaults that occurred between 1873 and 1879, 14%, or $66 million, took place in the first year.

The next jump in municipal bond defaults came in the depression of 1882 to 1884. The U.S. Treasury was busily retiring the Federal debt, driving it down from $1.9 billion in 1880 to less than $838 million in 1883. That pushed investors into the municipal bond market, leading to a minor burst of new financings, many based on unrealistic hopes of economic expansion and controlled inflation. Instead, wholesale prices fell again, this time by a total of 19% in just three years. Mercifully, however, most of the problem bonds had already been washed out of the market by the 1873 depression, and the memory of marginal financings still haunted investors. So only 27 defaults were recorded in this period, mostly related to railroads or real estate.

But investors, being human, repeatedly fall victim to periods of giddiness and unrealistic expectations, and the late 1880s and the 1890s were boom years for the issuance of private-purpose municipal bonds. The Panic of 1893, and the subsequent depression, provoked many municipalities into flagrantly repudiating their debts. Short-term interest rates were so volatile — bouncing from 186% to 1% for some kinds of loans in 1899 — that cities often defaulted not because they could not pay their interest, but because they simply preferred to pay a lower rate. In 1899, the mayor of Fort Worth, Texas, announced that the city would default on its 7% bonds so that "our creditors will be willing to make a compromise, taking a lower rate bond, thereby reducing the burden upon the people." Added the mayor: "There was sufficient cash in the city treasury to pay all current expenses and every obligation maturing against the city until January 1, 1900 without violating any law in the transfer of funds and the city is not bankrupt or on the verge of bankruptcy." In short, the city's word was not its bond. Perhaps this widespread attitude was simply the municipal version of the Robber Baron mentality that William Vanderbilt epitomized in his famous sneer, "The public be damned." Of the 219 defaults on $105 million in debt that occurred from 1893 to 1899, a significant amount were voluntary repudiations — a dishonorable and cynical tactic that has never again been used on such a scale.

All these historical waves of default are mere ripples when compared with the Great Depression. State and local governments were not in good financial health even before the Depression began. Over the preceding decade, municipal debt had grown at a compound annual rate of 9.5%, hitting $13.6



One reason the government of the District of Columbia remains under tight Congressional control was the reckless reign of "Boss" Alexander Shepherd, Lt. Governor in the 1870s. His corrupt regime borrowed over $22 million, more than twice its legal limit, and awarded contracts to higher bidders who promised to pad their payrolls with Republican voters. Shepherd told Congress he expected it to pay the bills — whereupon Congress paid noteholders 50¢ on the dollar, then abolished Shepherd's government.

billion in 1929. Meanwhile, municipal revenues had grown by only 5.7% annually, so many municipalities had spent themselves into deficits. The major municipal and state governments incurred a total deficit of $1.59 billion over the years 1925 to 1929, and by 1929, deficits totaled nearly 3% of revenues.

Amid nationwide economic collapse, municipal bonds defaulted by the thousands. Of the estimated 67,949 municipal issues outstanding in 1930, 4,782 defaulted on nearly $1 billion by 1938 — a catastrophic 7% of the total market. Florida alone, where the land boom of the 1920s had provoked heavy issuance of private-purpose bonds, suffered 614 defaults by 1935. Frightened investors clamped their wallets so tightly shut that in one six-month period in late 1931 and early 1932, underwriters for 539 new issues with a par value of more than $233 million simply could not sell them.

Elsewhere in the economy, however, everything that could go wrong did — and municipal bonds, by comparison, did not fare so badly after all. The cumulative net default rate of municipal bonds from 1929 to 1938 was 0.6%, while corporate bonds as a whole had a vastly higher rate of 11.9%.

The historical review of municipal bond defaults reveals causes that are virtually unchanged by reforms, economic changes, or advances in technology. Expansion and prosperity breed optimism, first hopeful, then wild, culminating in the belief that the good times will never end. At that point, the market becomes flooded with marginal financings that are snapped up by "investors" who do not want to miss the accelerating bandwagon. But, inevitably, economic growth slows — or worse, stops and retreats — and the bonds that were predicated on continuous rapid growth cannot survive. If a recession or depression lasts long enough, even solid issuers will default. The simplest lesson is that municipal bonds must be backed by viable, sensible projects that can withstand an economic slowdown. Municipalities themselves must be careful to spend within their means and to keep their debts at a prudent level.

So how do today's municipalities compare with their historical ancestors? Very well, I believe. While there will always be some issuers suffering from deflation or a constriction of cash flow, and while some projects will always be based upon unrealistic hopes, the municipal landscape today is much stronger than it has ever been in our history. While everyone else — the Federal government, corporations, individuals — went on a borrowing binge in the 1980s, state and local governments tended to manage their finances very tightly. There is about $1 of municipal revenue for every $1 of municipal debt — while there is nearly $3 of Federal debt for every $1 of Federal revenue and nearly $3 of total American debt for every $1 of gross national product. Moreover, our state and local governments have over $500 billion in cash and equivalents on their operating balance sheets, and in the first half of 1990 they ran an aggregate profit of almost $25 billion, when counting social insurance funds.

History, of course, is not a perfect predictor of the future. But I take great comfort in the healthy performance of well-structured municipal bonds throughout more than 150 years of American history. With the exceptions of the Panic of 1873 and the Great Depression, there has never been a period of indiscriminate defaults. While the worst do not survive, the best tend to thrive — and there is no reason to expect otherwise in the present or the future.

Robert R. Godfrey is executive vice president for research and business development at MBIA Corp. He is the author of ***Risk Based Capital Charges for Municipal Bonds*** *(JAI Press, 1990), the authoritative study of the safety of municipal debt, from which this article is adapted.*

Lock, Stock, and Barge

Two centuries ago, public investors financed one of the first major canal projects in North American history. But most of the stock seems to have floated away.

By Philip Lord, Jr.

On the first Tuesday in May, 1792, subscription books for common stock in the Western Inland Lock Navigation Company and the Northern Inland Lock Navigation Company were opened at the Tontine Coffee House in New York City and at Lewis' Tavern in Albany. Thus began New York's first — and almost forgotten — canal enterprise, a quarter-century before the first shovel of dirt was turned for the Erie Canal.

Created by an act of the Legislature on March 30th, 1792, these companies, presided over by Gen. Philip Schuyler of Albany, were chartered to improve the waterways that imperfectly linked the Hudson River and the Atlantic with the newly emerging settlements of the western territories and the northern Champlain region. Economic development, even military security, would remain at risk until better inland transportation ensured ready access to new markets and to sources of agricultural produce. With capital laboriously raised from a wary public, the canal companies quickly got digging.

The northern route, from Albany to Whitehall at the foot of Lake Champlain, proved too difficult and costly to improve. In a couple of years, the Northern Inland Lock Navigation Co. shut down.

The western route, which included the Mohawk River west of Schenectady, tiny Wood Creek at Rome, Oneida Lake, and the Oneida, Seneca, and Oswego Rivers, had greater potential. It promised the best access to the Great Lakes anywhere on the eastern seaboard, save the St. Lawrence Valley, which the U.S. did not fully control. Yet this string of streams and lakes was snarled with waterfalls and shallow rapids that precluded larger boats and frequently forced both cargo and craft to be carried, or portaged, overland.

Using experimental engineering that was not even familiar in Europe, the Western Inland Lock Navigation Co. cut across perhaps 150 miles of deep forest and stony hills. In its first decade, the company cleared more than 20 miles of Wood Creek and dug 13 mini-canals that shortened that snaking stream by six miles. In 1795, a mile-long canal with five lift locks, a guard lock, and a dam, was cut through bedrock to bypass the portage at Little Falls. Two years later another link cut through the old Carrying Place at Rome, connecting the eastern-flowing waters with those flowing west. Another short canal bypassed two rapids on the middle Mohawk, and in 1803 four timber locks raised the shallows of Wood Creek. By 1820, this private enterprise had created a continuous channel that could carry large boats all the way from Schenectady to Oneida Lake, and on to Oswego at Lake Ontario. It was the first chain of artificial waterways in New York and among the earliest in North America.

Because the two canal companies are largely forgotten and their significance little understood, much of their stock may still be languishing unidentified in collections of family papers. The corporate records — letters and draft reports, memoranda, and receipts — are scattered in a number of repositories, including the Schuyler Papers at the New York Public Library. But, in our research at the New York State Museum in Albany, we have run across a small number of these stock certificates.

The stock offering, one of the earliest in U.S. history, was tenuous at the start. The subscription books were to remain open from the first Tuesday in May to the last. Partly because the public was unfamiliar with canal construction, perhaps because of a panic earlier that year on New York's nascent stock market, the stock did not sell at first. In 1820 Elkanah Watson, a chronicler of the early canal ventures, recalled the subscription books sitting in New York City in May, 1792:

> *"They had been opened three days by the commissioners, at the old coffee-house, and not a share was subscribed. I considered the cause hopeless,--called on my friend James Watson, Esq., and induced him, with much persuasion, to subscribe twenty shares; from that moment the subscriptions went on briskly."*

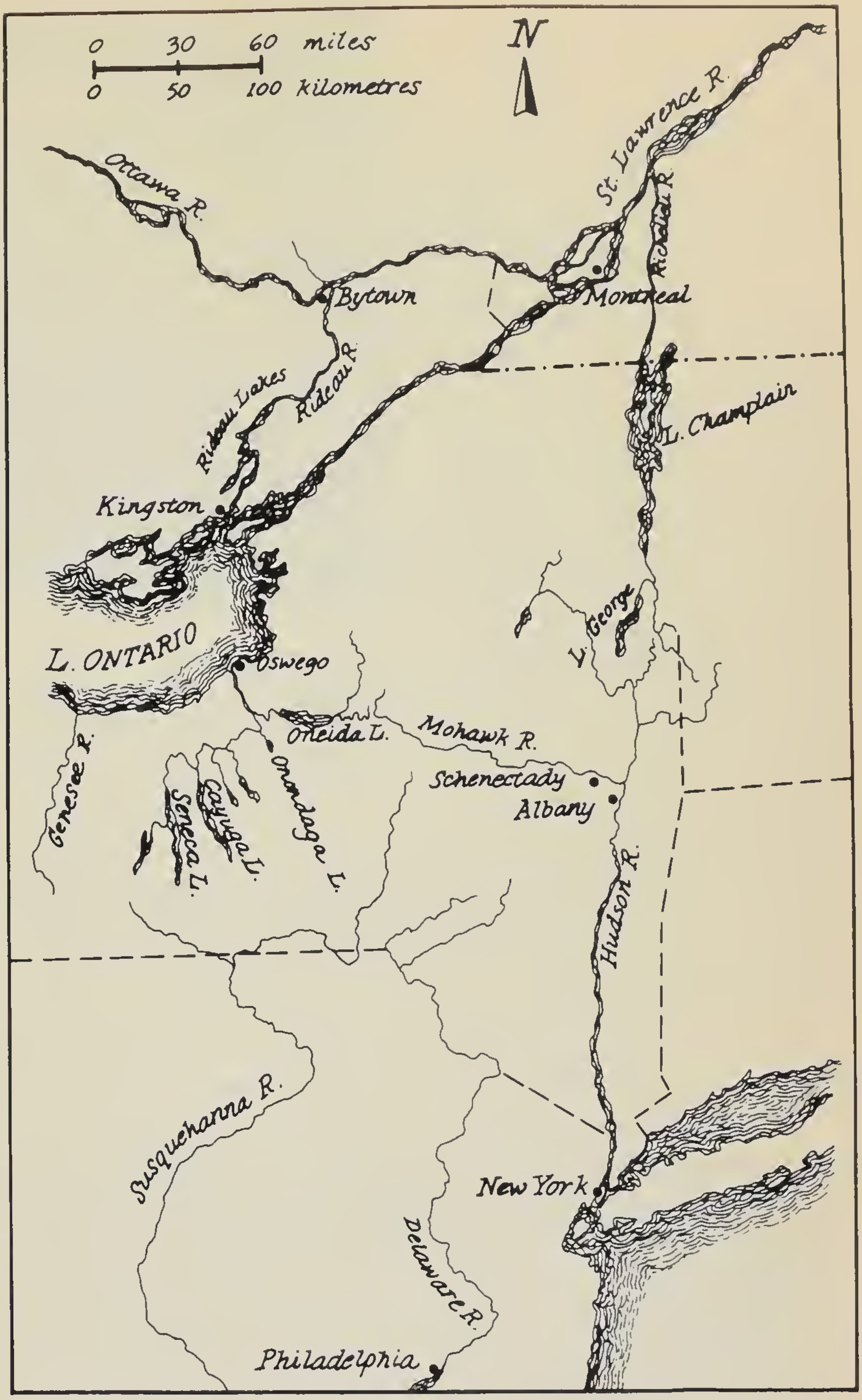
Sales were just as slow in Albany:

"On my arrival in Albany," wrote Watson, "the commissioners in that city had kept the books open several days, at Lewis' old tavern, in State-Street, and no mortal had yet signed to exceed two shares. I immediately subscribed seven in each company, and wrote to Gen. Schuyler, then in New-York, soliciting him to authorize me to extend his subscriptions as an example to others. From that moment I subscribed ten shares for Gen. Schuyler, by his directions, the subscriptions in Albany also progressed rapidly."

The state of New York, as was typical at the time, seems to have invested a large sum in the company's shares. We lack any annual record of the public subscriptions; the original books have not been found. But we have found a half-dozen certificates that shed some light on the ownership of the two canal companies.

The best preserved and oldest certificate is owned by the Lorenzo State Historic Site in central New York. Dated "Albany, 28th November, 1792," it is from a round of subscriptions later than the one Watson observed. The certificate is embossed with the seal of the Western Inland Lock Navigation Co. — a small bateau passing over an aqueduct. Schuyler's company never built any aqueducts, but this seal, designed before any works were created, shows how one craftsman imagined this early enterprise. The stock, subscribed to an "Alex. Rose" for three shares, is imprinted on the left half of a sheet approximately $5\frac{1}{2}$ by $16\frac{1}{2}$ inches, the unprinted portion folded behind the face of the certificate. The impression of the seal is about $1\frac{1}{4}$ inches in diameter.

Two certificates purchased at Albany by Philip Schuyler, for five shares each, exist in the Schuyler Papers of the New York Public Library. One is dated Nov. 28, 1792, the other June 8, 1793. Both are for the Northern Inland Lock Navigation Co. and are embossed with its seal, a bateau passing an open lock. Their imprint is identical to that of the Western company, except for the substitution of the word "Northern."



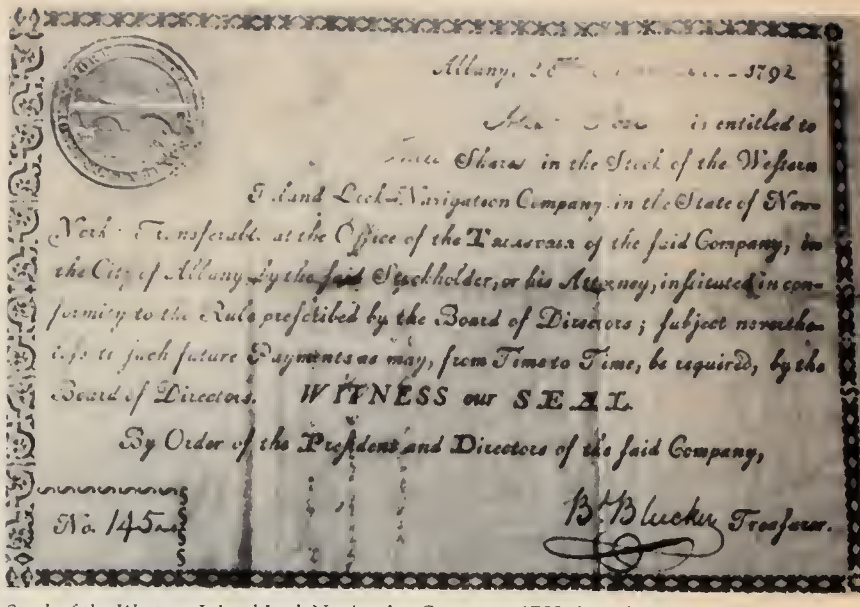
An 1803 "modernized" Western company certificate is among the Bleecker Papers of the New York Public Library. Titled simply "Western Canal Stock" and not indicating in which city it was sold, this certificate was signed by Philip Schuyler as company president. It bears the same seal as previous "Western" shares, as do two of the same imprint sold in August, 1814, close to the end of the enterprise. These two certificates, in the collection of the Rensselaer Polytechnic Institute in Troy, appear identical to the 1803 example and seem to have been subscribed on the same day to two members of the same family by the same officers of the company. One uses the archaic form of "s" in the title "Treafurer" while the other uses the modern form "Treasurer," as did the 1803 example.

The dies used to impress the seals onto the certificates have not been located, but the die for

the Western company was used throughout that firm's history. It occurs on the first example of stock we have from 1792 and is used again on the final resolution by the company's directors, which accepted the offer of the State of New York to purchase, and thus dissolve, the company in 1820.

If we had a more continuous or representative collection of these documents, we might gain some additional insights into the history of the companies. Who were the individuals who financed this pioneering transportation company: merchants, bankers, politicians, farmers? Did early institutional investors like banks and insurance companies buy the shares? How much capital was an investor willing to commit in those risky times? Co-signed or transferred shares would help us learn how often stock changed hands, and accompanying records could help us estimate the profits or losses that investors made.

There are technical questions as well. We do not yet have any specimens of the stock sold at the Tontine Coffee House in New York City. Were these the same as the Albany stock, with "New York" printed before the date line? Also, how was the impression of the seal made? On some of the shares there is a brown stain around the impression. Does this suggest use of a moistened leather disk under the die, or were two interfacing dies used?


Albany, ... 1792

... is entitled to ... Shares in the Stock of the Western Inland Lock Navigation Company in the State of New York: Transferable at the Office of the Treasurer of the said Company, in the City of Albany, by the said Stockholder, or his Attorney, ... in conformity to the Rule prescribed by the Board of Directors; subject nevertheless to such future Payments as may, from Time to Time, be required, by the Board of Directors. WITNESS our SEAL.

By Order of the President and Directors of the said Company,

No. 145

B. Bleeker Treasurer.

Stock of the Western Inland Lock Navigation Company, 1792, issued to Alex. Rose.

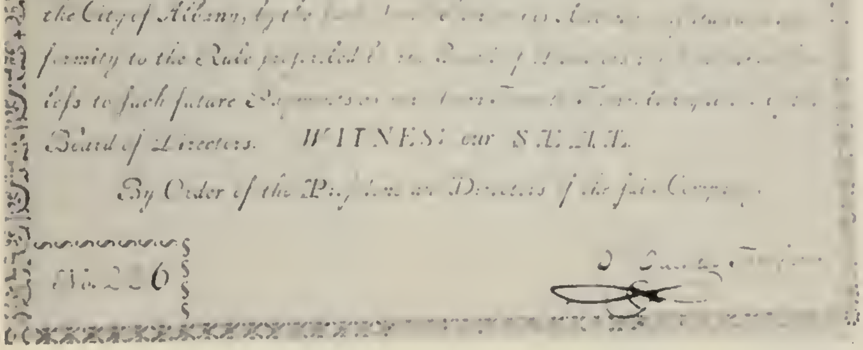
Several bicentennial events will be held to heighten public awareness of the transformation of New York transportation in the 1790s. Among the commemorative programs will be a reenactment of the May, 1792, opening of stock subscriptions. Replica shares will be offered by costumed "officers" of the navigation company, endorsed on the spot to the purchaser as a souvenir of the event. "Par value" is $5, and the proceeds will support the other bicentennial programs, including an exhibit highlighting the physical remains of the works the canal companies created.

In New York City this event will take place on May 5th at the Museum of American Financial History, jointly sponsored with the New York State Museum. In Albany, a similar event is planned for May 1st on the site of Lewis' Tavern, now the corporate headquarters of Union National Bank.

Perhaps by then, some of the multitude of missing Inland Lock Navigation shares will have come to light, enabling them to be included in the bicentennial exhibit. They are a vital part of this neglected area of history.

If you have papers, stock certificates, stock books or corporate seals of the Western Inland Lock Navigation Company, please contact Anne Keane, Museum of American Financial History, 26 Broadway, Room 200, New York, NY 10004-1763; (212) 908-4519, FAX (212) 908-4600.

Philip Lord, Jr. is a Senior Scientist in the division of Research and Collections at the New York State Museum.


Inland Lock Navigation ... York: Transferable at the ... the City of Albany, ... formity to the Rule prescribed ... less to such future ... Board of Directors. WITNESS our SEAL.

By Order of the President and Directors of the said Company

Stock of the Northern Inland Lock Navigation Company, 1793, issued to Philip Schuyler.

LOW BRIDGE, EVERYBODY DOWN...

MAFH recently heard of the Sierra Club-Atlantic Chapter's centennial celebration with a Buffalo to Albany Erie Canal Hike! The Erie Canal, completed in 1825, was an immediate financial success — recovering its $7 million cost and bringing prosperity not only to the towns along the canal, but to the entire state of New York in a very short period of time.

Sierra Club member, Bobby Frauenglas (below), was hiking the canal as this issue went to print and asks for your support. R.M. Smythe & Co. will be auctioning an Erie Canal bond on behalf of the Sierra Club at the Strasburg Auction in January 1992.

PLEDGE FORM--ERIE CANAL HIKE

Low bridge, everybody down,
Low bridge, 'cause we're comin' to a town.
Oh, you'll always know your neighbor, you'll always know your pal,
If you've ever navigated on the Erie Canal!

Yes, I'm supporting the Buffalo to Albany Erie Canal Hike with a per-mile donation of:

___ .05 ___ .10 ___ .40 ___ $1 ___ $Other______

Make check payable to: Sierra Club Atlantic Chapter and note on face of check, "Erie Canal Hike."

NAME ____________________

ADDRESS ____________________

____

PHONE ____________________

Clip and mail to: Steve Kulick, Atlantic Chapter Treasurer, 123 Ruskin Ave., Syracuse 13207.

"Such a Hard, Constant Tug"

To keep the voice of the early women's movement alive, its founders trudged miles upon miles to rustle up revenues. It paid off for everyone.

By Sanford J. Mock

On August 24, 1920, the 19th Amendment to the U.S. Constitution awarded American women the right to vote. Suffrage was won only after 50 years of grinding struggle led by a few courageous, dedicated women — and men. *The Woman's Journal* was at the heart of that struggle. The certificate shown here, issued by "The Proprietors of the Woman's Journal," is a rare financial document that personifies the women's suffrage movement.

The Woman's Journal was founded in 1870 and was edited and published by Lucy Stone and Henry Brown Blackwell. *Harper's Weekly* reviewed it in 1872:

> "The Woman's Journal is a fair and attractive paper in appearance... the variety and spirit of its articles, and the dignity, self-respect, good humor and earnestness of its tone will show how profoundly mistaken are those who suppose that folly and extravagance are necessarily characteristic of the discussion of the question. The Journal is indispensable to those who would truly understand the character of the movement and measure its progress. Terms: $2.50 a year, *invariably in advance.* Single copy 6 cents."

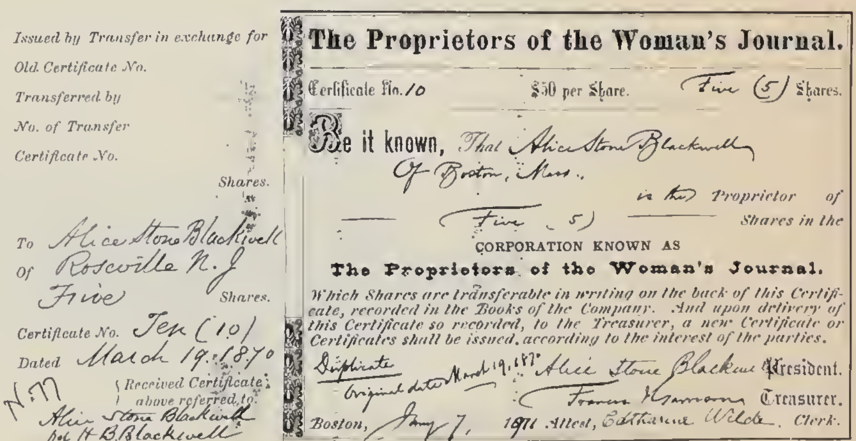
But that matter-of-fact account does little justice to the great personalities and long struggle that made *The Woman's Journal* a success. Lucy Stone described her work in a letter to Margaret Campbell and her husband, who were campaigning in Colorado in 1874:

> "I wish I could rest. I am so tired today, body and soul, it seems as though I should never feel fresh again. I have been trying to get advertisements for the Woman's Journal to eke out its expenses. Yesterday I walked miles; to picture stores, crockery stores, to special sales, going up flight after flight of stairs only to find the men out, or not ready to advertise. And for all my day's toil I did not get one cent; and when I came home at night, it was to find the house cold, the fire nearly out in the furnace, and none on the hearth; and it seemed as if the tiredness of a whole life came into my essence. I don't often complain, or feel like complaining, but I do wish there was some way of carrying on the Woman's Journal without such a hard, constant tug. If only the housekeeping would go on without so much looking after."

What gave Lucy Stone (1819-1893) the determination to walk miles for a mere magazine? When Lucy's father, a flinty Massachusetts farmer, had told her as a young girl that men were divinely ordained to rule women, she decided to study the Bible in Greek and Hebrew to see for herself. With no help from her father, Lucy put herself through Oberlin College by teaching school. In 1848 she began to lecture for the Anti-Slavery Society, but her interest gradually shifted to suffrage for women. Attractive, eloquent, with a beautiful speaking voice, Lucy Stone was "the first person by whom the heart of the American public was deeply stirred on the women question," as Elizabeth Cady Stanton said.

She also deeply stirred the heart of Henry Brown Blackwell, an English-born abolitionist whom she met when he made his first speech for suffrage in 1853. She had vowed to remain forever single and to devote her life to women's rights, but her "gentleman caller" wore her down. They were married in 1855 after Blackwell promised to devote his life, too, to the cause of female suffrage. On their wedding day, they became a *cause celebre*. Lucy did not take her husband's name, and the couple issued a joint statement protesting the unequal treatment of women under the marriage laws.

When *The Woman's Journal* was founded, Henry and Lucy contributed or raised most of the required $10,000. The *Journal* dates back almost to the beginning of the organized women's suffrage movement, the founding of the American Woman Suffrage Association and the National Woman Suffrage Association in 1869. The National, led by Susan B. Anthony and Elizabeth Cady Stanton, was impatient and belligerent, striving not only for the vote but for full equality. It refused all compromise and came



Issued by Transfer in exchange for
Old Certificate No.
Transferred by
No. of Transfer
Certificate No.
Shares.
To Alice Stone Blackwell
Of Roseville N.J
Five Shares.
Certificate No. Ten (10)
Dated March 19. 1870
Received Certificate above referred to.
N.77
Alice Stone Blackwell
per H. B. Blackwell

The Proprietors of the Woman's Journal.

Certificate No. 10 $50 per Share. Five (5) Shares.

Be it known, That Alice Stone Blackwell Of Boston, Mass., is the Proprietor of Five (5) Shares in the CORPORATION KNOWN AS

The Proprietors of the Woman's Journal.

Which Shares are transferable in writing on the back of this Certificate, recorded in the Books of the Company. And upon delivery of this Certificate so recorded, to the Treasurer, a new Certificate or Certificates shall be issued, according to the interest of the parties.

Duplicate
Original date March 19. 1870
Alice Stone Blackwell President.
Frances Harrison Treasurer.
Boston, Jany 7, 1871 Attest, Catharine Wilde. Clerk.

The Proprietors of the Woman's Journal, 5 shares, 1871, signed by Alice Stone Blackwell, as president.

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to view men as general opponents.

The American, led by Julia Ward Howe, Lucy Stone, Henry B. Blackwell, and Henry Ward Beecher, was more moderate. Concentrating on suffrage, it avoided clouding that issue with demands for other rights. "Suffrage is not the *only* object, but it is the *first* to be attained," said Thomas Higginson, first vice president.

The formation of the two women's groups in 1869 may have been motivated by the election of President Ulysses S. Grant the year before. Grant's popularity in the North — together with Republican strength in the Southern states, where blacks had just received the right to vote — seems to have raised hopes for a surge of liberal goodwill that would give women the right to vote as well.

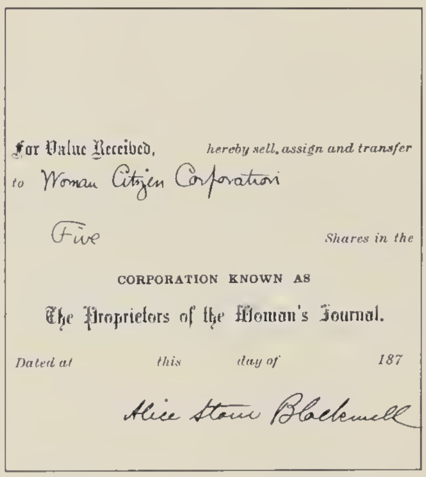
Instead, reaction was in the air. Not even the 15th Amendment in 1870 could stop the abridgement of freedmen's voting rights "on account of race, color, or previous condition of servitude," and the bright hopes for women's suffrage quickly paled.

The two women's organizations, which competed sharply for followers, were unable to muster more than about 10,000 members between them. The National group's militant publication, *The Revolution*, was founded in 1868 but ran out of money and stilled its presses in 1872. After the end of *The Revolution*, *The Woman's Journal* was the leading source of women's news and the coordinator of suffrage activities around the country. But only the fierce dedication of its founding family kept it alive.

Alice Stone Blackwell, Lucy and Henry's daughter and the owner of the certificate shown here, graduated from Boston University and joined the *Journal* staff in 1883. She became editor-in-chief after her father, who had edited the magazine without pay, died in 1909. Philosophically, she followed in her parents' footsteps but made her own deep imprints. She lectured and wrote extensively on suffrage, but she was also an early member of the National Association for the Advancement of Colored People, the American Civil Liberties Union, and the Women's Christian Temperance Union (WCTU). Alice was a zealous advocate for oppressed peoples, particularly Armenians and Jews, and she translated Armenian, Russian, and Yiddish poems into English.

The original of the duplicate certificate shown here, which had been issued to Alice Stone Blackwell on March 19, 1870, was received and signed for by her father, "per H.B. Blackwell." At the time, Alice was 13. The Uniform Gift to Minors Act, under which securities are issued in the name of an adult as custodian for a child, was not passed until 1956. So, in 1911, when Alice was president of the company, she had the certificate reissued to herself. On the verso is an undated transfer of title by Alice Stone Blackwell to "Woman Citizen Corporation." That company appears as a small shareholder until 1917, when Alice merged *The Woman's Journal* into it. She stayed on as a contributing editor.

This certificate is a reminder that Lucy Stone, Henry Blackwell, Alice Stone Blackwell — and the


For Value Received, hereby sell, assign and transfer
to Woman Citizen Corporation
Five Shares in the
CORPORATION KNOWN AS
The Proprietors of the Woman's Journal.
Dated at this day of 187
Alice Stone Blackwell

countless others who fought and won the suffrage battle — prevailed because they had the will and because there was no other way.

Sanford J. Mock is a senior vice president at PaineWebber in Beverly Hills.

Museum News

This season is a busy time for us here at 26 Broadway. On December 10th, the Museum will host its second annual fundraiser at the Americas Society in New York. $100 per person contributions are being accepted for this festive holiday cocktail party. So please consider joining us, to chat with our trustees and those responsible for putting out *Friends of Financial History*. If you are interested in attending, please contact Anne Keane at (212) 908-4519. Your contribution is tax deductible.

This December is also the last opportunity to donate material to a not-for-profit institution at full market value. Come January 1, 1992, the window in the tax law for charitable contributions will be closed.

Suppose you own a certificate worth $10,000, which you bought for $1500 in 1982. If you give it to the Museum before the end of 1991, you will receive a deduction for the full value of $10,000. This window is for 1991 only; next year, the law will revert to limiting the amount of the deduction to your cost.

So, please look around for any certificates, books, or other historical items. We'll get appraisals of the things you have, and you can save some taxes. Please write to us at 26 Broadway, Room 200, New York, NY 10004-1763.

The Museum is a New York State Regents chartered not-for-profit educational and service corporation.

BOOKS

SOMETHING OLD...

James K. Medbery, *Men and Mysteries of Wall Street* (first published 1870 by Fields, Osgood & Co.)

Surprisingly, fewer than a dozen major books on Wall Street were written during the second half of the 19th Century. One of the best is Medbery's *Men and Mysteries of Wall Street.*

Medbery's work is at least as useful as contemporary books like Henry Clews' *Twenty-Eight Years in Wall Street* and William Fowler's *Ten Years in Wall Street.* Clews' writing is often marred by his egomania and gossip. Fowler's book, a best-seller that sold over 40,000 copies the first year, is witty and informative but limited in scope. But in always charming, often eloquent language, Medbery combined spicy personal anecdotes with precise details of trading techniques to create an unforgettable image of Wall Street in the boom years just after the Civil War.

Listen to his description of the traders in the Long Room at the New York Stock Exchange: "Every step and crevice jammed with men. Note-books, arms, fists, dexter fingers, hats, heads, tossing, swaying, darting hither and thither with nervous eagerness, and suggesting a perpetual explosion of bombshells from below. Now concentrating upon a single stock; again breaking out into twenty different markets."

Because Medbery was an insider, *Men and Mysteries of Wall Street* is a valuable reference on the machinery, methods and language of the stock and gold markets and the bankers and brokers of Wall Street. It provides extensive details of individual firms and financiers, including such tales as Jacob Little's escape from a short squeeze in Erie Railroad shares and an attempt by Cornelius Vanderbilt to trick his son William into a bad investment. Medbery showed that Wall Street's money-movers have long been raucous and rambunctious. At a time when the Exchange's annual dues were $50, some brokers paid $500 in fines. As Medbery put it, "No body of men are to all appearance more fond of breaking over minor rules, and promptly meeting the penalty, than New York stockbrokers." Smoking a cigar at the Exchange carried a $5 penalty; he also mentions brokers who stood on chairs, flung paper airplanes and squirted each other with little syringes of perfumed water.

The Long Room as pictured in Medbery's **Men & Mysteries of Wall Street** *(1870).*

By 1870, Wall Street had become big business. Medbery estimated annual trading volume at $22 billion, an awesome number to readers of his day. But the public still considered stockbroking a disreputable profession. Medbery himself was hard on his peers. He spent much of his book exposing, in damning detail, exactly how markets were cornered, how stocks were watered, how bulls formed "rings" to hype their shares, and how put and call options were used to manipulate common stock. "The annals of American financiering are not particularly exhilarating," Medbery noted tartly. "The exhibition of fraud in high places...bordering on the sublime, which has characterized the past few years, is not calculated to inspire over-confidence in the future." Then he added: "Yet even here we are not without consolations. If the present is dark, was the past brighter?"

After exposing the intricacies of the stock market, Medbery concludes with a simple choice: "It remains for the brokers of the Stock Exchange to decide whether they will seek the petty profits of a speculation marred by grave faults, or will cast their influence still farther and with more strenuous emphasis against the encroachment of the cliques. The former means isolation. The latter will be prelusive of an expansion in international relations which will make New York imperial, and Wall Street...the paramount financial centre of the globe." The brokers took Medbery's advice. In the next few years, the NYSE began to regulate itself more effectively. That self-regulation calmed and guided Wall Street for the next two generations, until the New Deal tightened Federal regulation of the securities markets.

A true Wall Street classic, *Men and Mysteries of Wall Street* costs between $75 and $125 for a good copy of the 1870 edition, but the reprint is available for $12 from Fraser Publishing in Wells, Vt., or from the Museum of American Financial History. For its objectivity and its insights into the functioning of the market in the late 1800s, Medbery's book belongs on the shelf of every lover of Wall Street history. — RAY BOAS

Ray Boas has been in the antiquarian book business since 1981, specializing in business and financial histories and biographies. In February, 1990, after retiring as a career naval officer, he opened an antiquarian and out-of-print book store in Haddonfield, N.J.

...SOMETHING NEW

Walter Werner and Steven T. Smith, *Wall Street* (Columbia University Press, 1991, $35.00. 306 pp.)

Fifty pages of appendices, 80 pages of footnotes, and a 10-page bibliography make *Wall Street* a treasure for scholars interested in the development of markets and corporations in the United States. The footnotes alone, which are deeply mined from hundreds of early American newspapers, are an immensely valuable compilation of knowledge. In its description of the origins, attributes and leaders of the New York Stock Exchange from 1790 to 1840, the book has the flavor of cultural anthropology. Fascinating nuggets of financial history are heaped together with all the energy, enthusiasm, and chaos of the early markets themselves.

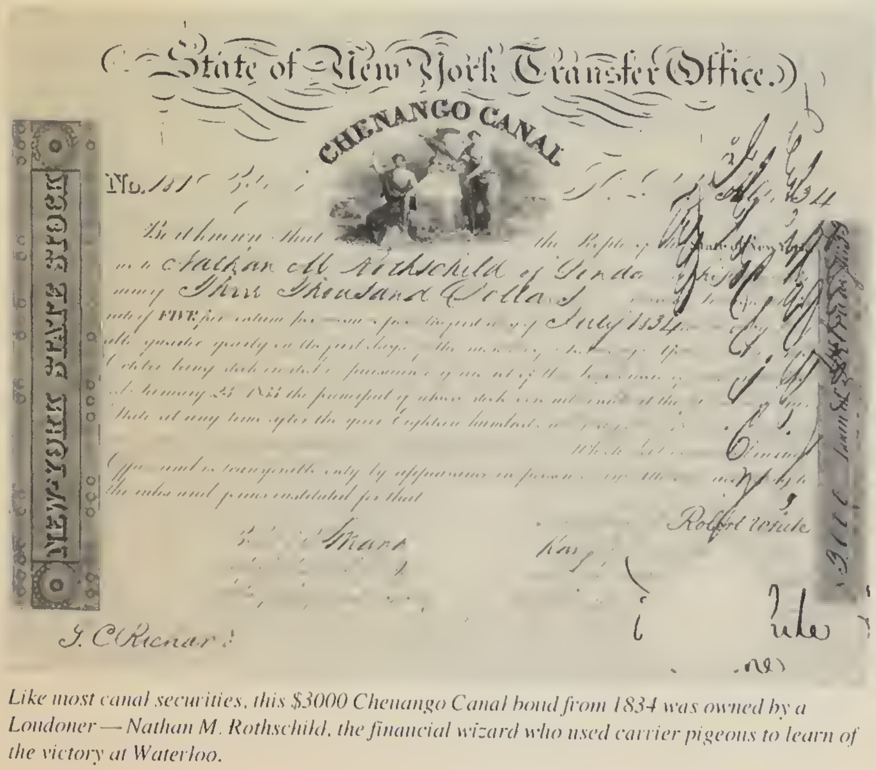
We learn, for example, that the first illegal trade on the New York Stock & Exchange Board came on March 13, 1817, when J.G. Warren sold 50 fictitious shares of Manufacturing Bank to W.G. Bucknor. We also learn that members' commissions were cut from 1/4 of 1% to 1/8 of 1% on Nov. 7, 1861. We discover that trading volume first passed 1,000 shares a day in 1821, that British investors held more Erie Canal securities in 1829 than Americans did, that in 1831 the management of the Delaware and Hudson Canal Co. rashly projected that its stock would fetch more than $200 per share within two years. A table even tracks the daily long and short positions of the legendary broker Nat Prime as he made a market in shares of the Manhattan Company in 1800 and 1801. A reader willing to flit, grasshopper-like, from text to footnotes to appendices can amass an enormous amount of learning from this book.

But *Wall Street's* colorful tableaux and diligent scholarship are undermined by the book's poorly integrated conclusions about corporate governance, the relations between corporate managers and shareholders. The authors commit the very sin they accuse others of: in supporting their conclusions, they ignore the larger lessons of history. Unfortunately, that limits *Wall Street's* worth: it is an encyclopedic scrapbook, an almost unparalleled first reference and bibliographical tool, but as a history it is far less than the sum of its parts.

The authors seem so determined to discredit the corporate governance teachings of Louis D. Brandeis and Adolph A. Berle that *Wall Street's* arguments become distractingly ad hominem. Werner and Smith write, "Misreadings of corporate history distort attempts at corporate reform. Important proposals are based on replicating a past that never was....Attempts to return control to shareholders who never had it are, therefore, misguided." But the book's arguments are peremptory and internally inconsistent. In the end, *Wall Street* fails to disprove the widely accepted views of Brandeis, Berle, and Wisconsin University law professor James Willard Hurst, whose 1970 book, *The Legitimacy of the Business Corporation in the Law of the United States*, proved that shareholder protections are the primary source of the legitimate exercise of corporate power.

The authors seek to show that "the comprehensive shareholder protections that Berle argues were lost upon entering the era of general incorporation really did not exist before then...this separation of ownership and control is not a phenomenon that developed as corporations were corrupted from an ideal state." The anecdotal evidence that Werner and Smith have thrown together to support this claim suggests that shareholders could not control management--but fails utterly to show whether shareholders could influence directors. Werner and Smith conclude, "Additional reforms...aimed at making shareholder democracy function more effectively, through improved voting power for example, are hardly worth pursuing." That conclusion, however, is based on the unproven assertion that shareholder voting rights have rarely been used in American history. Even if true, that assertion begs the question. Did voting rights go unused because they have been ineffective? If they had been effective, would the system have worked better?

Recent history suggests that the second answer, at least, is yes. In perhaps its most serious omission, *Wall Street* overlooks the emer-



Like most canal securities, this $3000 Chenango Canal bond from 1834 was owned by a Londoner — Nathan M. Rothschild, the financial wizard who used carrier pigeons to learn of the victory at Waterloo.

gence of the new majority shareholders, sophisticated institutional investors that understand the issues of corporate governance, are obligated by fiduciary duty to act on them, and are large enough to make a difference when they do. Their use of the shareholder franchise — the proxy vote — has historically transformed the world of corporate governance over the last five years.

Werner and Smith argue that shareholders can best discipline management not through proxy voting or other activism, but by selling their shares. However, many institutions invest through large baskets of indexed stocks and cannot "bail out" of individual companies with unacceptable management. A holder of $68 billion, like the California Public Employees' Retirement System (Calpers), cannot simply sell out of every company whose management engages in objectionable behavior. (Given the constant abuse of corporate governance over the last decade, Calpers would set off a stampede if it really did vote with its feet, as Werner and Smith advise.)

The "right" of shareholders to discipline managers by selling out has been severely eroded by anti-takeover maneuvers. Yet Werner and Smith claim that "the right to sell shares in a fair market is now well protected and that protection should be maintained." What protection? The "poison pills" that strangle the freedom to sell big blocks of shares to a willing buyer? A hastily reconfigured deal like Time Inc.'s merger with Warner Communications, in which shareholders never got a chance even to vote? The eleventh-hour ESOPs cobbled together by Polaroid and Lockheed to freeze out large stockholders?

Wall Street argues that 19th-Century history validates the current corporate structure. Even assuming that Werner and Smith's reading of history is correct, their argument still fails, because they never ask whether history is an infallible, or appropriate, determinant of the future. If we agree for the sake of argument that shareholders have been passive and ineffective throughout American history, why should that justify thwarting reforms today that would allow greater shareholder activism in the future?

Wall Street is a wonderful resource for scholars seeking information about the evolution of the financial markets, but it is more archeology than history. Fascinating pieces are dug up and revealed, but the pattern beneath them is only partly illuminated, and the meaning of that shadowy pattern is very much overestimated. *Wall Street* proves by its own shortcomings that history is not just facts raked into a pile, but facts shaped into coherent and reasoned form. — ROBERT A.G. MONKS and NELL MINOW

Robert A. G. Monks and Nell Minow are the authors of Power and Accountability (HarperCollins, 1991). *Institutional Shareholder Partners, Monks' Washington, D.C.-based firm, is one of the nation's most influential advocates of shareholder activism.*

BOOKS RECEIVED

(Listing does not preclude further review.)

The Bond Buyer 100th Anniversary Edition (The Bond Buyer, New York, 1991, $30). Softcover commemorative issue of the daily paper of record for the municipal bond industry. Informative and entertaining features on the history of municipal bond prices, tax policy, futures contracts, defaults and repudiations, bond insurance and mutual funds.

William J. Gill, *Trade Wars Against America: A History of United States Trade and Monetary Policy* (Praeger, New York, 1991, $47.95). A general overview of free trade, tariffs and protectionism, and international coordination of monetary policy. Taking history as his base, Gill argues that U.S. trade policy is too free and too passive.

Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton University Press, 1991, $24.95). A paperback reprint of the 1957 edition. This Pulitzer Prize-winning classic is not just the most objective and authoritative work on early American banking, but one of the most beautifully written of all financial histories.

George J. Marlin and Joe Mysak, *The Guide to Municipal Bonds: The History, The Industry, The Mechanics* (The Bond Buyer, New York, 1991, $29.95). An excellent introduction to municipal finance, with an informative chapter on the history of municipal bonds.

Judith Robinson, *The Hearsts: An American Dynasty* (University of Delaware Press, $49.50). A biographical history of the great mining and publishing family. Thorough, but not definitive, it centers the family's history around the matriarch, William Randolph Hearst's mother Phoebe.

Richard Robinson, *United States Business History, 1602-1988: A Chronology* (Greenwood Press, New York and Westport, Conn., 1990, $55.00). A year-by-year compendium of the leading people, companies, and events in American business and finance. Its thousands of brief entries in calendar form, mostly culled from secondary sources, make it an unusual and extremely useful reference tool, although its density will daunt casual readers.

Donald R. Stabile and Jeffrey A. Cantor, *The Public Debt of the United States: An Historical Perspective* (Praeger, New York, 1991, $40.00). A comprehensive overview of U.S. government debt from its beginnings to the present, focusing on the ways public policy influences the issuance of debt and the effects that government debt has on the nation's economy.

James B. Stewart, *Den of Thieves* (Simon and Schuster, New York, 1991, $23.00). This harshly critical history of insider trading and junk bond finance in the 1980s has been both highly acclaimed and fiercely attacked. Was Michael Milken a second J.P. Morgan or a brilliant felon? Stewart, a reporter and editor at *The Wall Street Journal*, gives Milken the thumbs-down.

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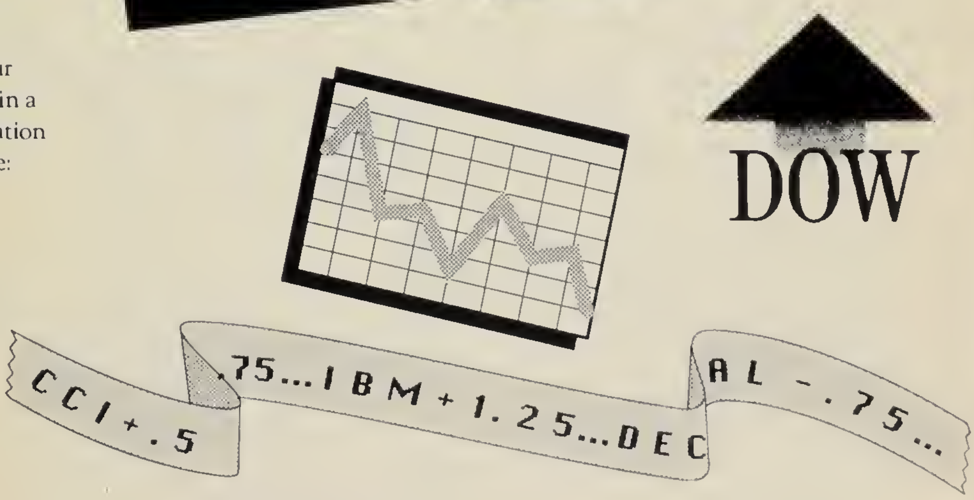

The Boston Globe

The Boston Globe is offered in cooperation with the Securities Industry and The Boston Globe. Additional funding is provided by The Boston Securities Traders Association.

WALL STREET WORDS

By Jason Zweig

"The Bulls and Bears in the Market" by William Holbrook Beard, 1879.

Courtesy of the New York Historical Society, New York City

In the daily and eternal battle between those who want stocks to go up and those who want them to go down, *bull* and *bear*, *long* and *short*, are the words that tell which side is which. What do they mean? Where do they come from?

Bull and ***bear*** were born early in the 18th Century, when stock trading first heated up in London. In the July 7, 1709, issue of his satirical newspaper, *The Tatler*, Sir Richard Steele told this story: "A noble gentleman of this city, who has the honour of serving his country as major...bought the *bear* of another officer....However, having sold the *bear*, and words arising about the delivery, the most noble major...abused the other with the titles of rogue, villain, bearskin-man, and the like....I fear the word *bear* is hardly to be understood among the polite people; but I take the meaning to be, that one who insures a real value upon an imaginary thing, is said to sell a bear...." The italics appear in the original, indicating that the word was still strange. Note, too, that at this early stage *bear* was not the seller of a stock but the stock itself. The seller was a *bearskin-man* or *bearskin-jobber*.

That points back to an earlier English proverb, "to sell the bear's skin before one has caught the bear," which nicely describes what happens when a speculator sells stock betting that he can buy it later at a lower price. Like most emerging exchanges, London's infant stock market was wildly volatile, rife with dirty tricks, and fatal to the unwary. The word *bear* captured the carnivorous behavior of those early speculators, who were detested by intellectuals and the public. Daniel Defoe, in *An Essay on the South-Sea Trade* (1712), blasts "the Stock-jobbers, the Man-eating Discounters, and money-lending Extortioners...those *Cannibals*." Most synonyms for "speculator" had teeth to them. In *The Tatler* of May 25, 1710, Steele called the typical stock market operator "a beast of prey." And in *The Anatomy of Exchange-Alley* (1719), Defoe writes of one trader: "originally he was a BITE, which, in modern language, is a sharper." He also refers to "setters" and "pointers," who apparently flushed out naive investors for the master speculators to prey upon. Our modern markets, populated only with bulls and bears, make poor menageries indeed!

Bull seems to have soon appeared as a contrast to *bear*. Charles Johnson's comic play *The Country Lasses* (1714) contains one of the earliest references: "Instead of changing honest staple for Gold and Silver, you deal in Bears and Bulls." In Colley Cibber's play *The Refusal* (1721), a character asks where all the money came from: "And all this out of Change-Alley?" The answer: "Every shilling, Sir; all out of Stocks, Tuts, Bulls, Rams, Bears, and Bubbles." The bull made a natural opponent for the bear: He is a peaceful herbivore who moves in herds, whereas lone bears prey on weaker animals. The bull tosses things up with his horns, while the bear tears fruit and honey down from trees with his claws.

Although the American stock market did not begin in earnest until the 1790s, *bull* and *bear* were not far behind. On January 31, 1805, U.S. Representative John Randolph of Virginia stood up in Congress to denounce the Yazoo land scam, in which speculators had sold land west of Georgia at wild prices. Some victims of the scam wanted compensation; but, grumbled Randolph, "as well may your buyers and sellers of stock, your bulls and bears of the alley, require indemnification for their losses at the hands of the nation." By the 1830s the terms were common, and by the 1840s they were used both as nouns and verbs. "To bear" or "to bull" a stock was standard shorthand. Frederick Jackson, in *A Week in Wall Street by One Who Knows* (1841), wittily summed up the difference between the two main animals in the market: "a Bear means a man who has no shares in the stocks--one stripped--in an em-barassed condition...a Bull means a man who has more shares than he can keep, and has gored his neighbor to procure them."

The history of ***long*** and ***short***, however, is much less clear. As late as 1848, when William Armstrong wrote *Stocks and Stock-Jobbing in Wall Street*, neither term seems to have existed. What we would simply call "shorting," Armstrong had to use a mouthful of words to describe: "selling stock which a person is not in possession of, with the

privilege of delivering it within a specified time at a certain price."

Long and *short* finally appear on the eve of the Civil War. The first definition of *long* is in John Russell Bartlett's *Dictionary of Americanisms* (1859): "'Long' means when a man has bought stock on time, which he can call for at any day he chooses. He is also said to be 'long,' when he holds a good deal." One of the first known uses of *short* is from the New York *Evening Post*, April 12, 1861: "When one of the members of the [New York Stock & Exchange] Board offered to sell Government Stock 'short' on time, he was instantly hissed down." The term must have been new, since it is in quotation marks and needed the explanation "on time." In deciding a lawsuit over stock trading that occurred in October, 1864, a justice of the New York State Supreme Court said the plaintiff had made "what are termed 'short sales.'" Again, the quotation marks imply that the phrase was still unfamiliar.

There is no definitive explanation for the birth of *long* and *short*. They may simply have originated in the obvious image of stock prices lengthening as they rise and shortening as they fall. There is another, more remote possibility: In January, 1856, a British court ruled on the case of Rourke v. Short, in which a rag-dealer named Short bet another rag-dealer named Rourke that "a parcel of rags" was worth only half what Rourke was asking for it. The bet, which the court voided, was not strictly a short sale, since the rags did not change hands--but in principle Rourke was long, and Short was short. It is conceivable that this case, which was quoted just months later in an influential ruling in New York Superior Court, may have given American speculators the snappy slang they needed to describe their bets that stocks would fall. Perhaps American traders began saying "I'm like Short," and then the phrase naturally, more evocatively became "I'm short." However, until additional research is done on the American stock market in the late 1850s, we will not know for sure. I have to concede that if the "Rourke v. Short" derivation were a stock, I would probably short it.

••••

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gr	-	Green	rd	-	Red	gy	-	Grey

CODES:
- Cb - Coupons, bound with the certificate.
- Cs - Coupons at the side.
- Cu - Coupons underneath.
- U - Unissued (All certificates are Issued Common Stock, unless specified).
- P - Preferred Stock.
- CD - Certificate of Deposit.
- POC - Punch Out Cancellation.
- STATES - Two letter postal codes.

1 **Missouri, Kansas & Texas Rwy** 1879. **100 shs**, green. Cattle herd. Cherubs. Light waterstaining, pinholes. ABN. ❑ 1891. **10 shs**, brown. Train leaving covered terminal. FBN. British imprinted revenue. ❑ 1904. **100 shs**, ol. Train. Man feeds coal to furnace. All with POC's. [3] **($25-Up)**

2 **Associated Theatres** (MA) 1923. One share, orange, embossed corporate seal. SBN. P. **($25-Up)**

3 **Athens Manufacturing** (GA) c.1884. **2.36 shs**. State arms. Prepared and signed, but the date was left blank. **($40-Up)**

4 **Everett Mills** (MA) 1907. **4 shs**, grey geometric borders, embossed corporate seal. **($25-Up)**

5 **Mountain Springs Water** (PA) 1905. **200 shs**, brown. #55. Dog at top left corner. **($20-Up)**

6 **Hinds Consolidated Mining** (GA) 1907. **200 shs**, green. Miner descends down rope to the mines. IBC. **($25-Up)**

7 **Chicago, Peoria & St. Louis Railway** (IL) 1907. **15 shs**, golden brown. Train at station. FLB. P. **($30-Up)**

8 **Chicago & Grand Trunk Railway** (IL-IN-MI) 1888. **41 shs**, grey. Cargo train at loading station, horsewagon. Calvert Lith. **($45-Up)**

9 **Cigar Machine of America** (DE) 1913. **500 shs**, green, embossed corporate seal. Early cigar making machine. **($45-Up)**

10 **Chemical Vaporizer & Deodorizer** (NY) 1884. **10 shs**, grey, red embossed corporate seal. #78. Eagle flanked by farmer and produce. Hatch Lith. **($40-Up)**

11 **Cash Gold Mining** (CO) 1908. **700 shs**, gold, embossed corporate seal. State arms, Columbia, eagle. **($30-Up)**

12 **Buffalo & Lake Erie Traction** (NY-PA) 1910. **50 shs**, striking purple. Eagle on shield, center. State arms, either side. Trolley car, bottom. P. Lovely and attractive. **($60-Up)**

13 **Boston, Hartford & Erie Rail Road** 1867. **$1000 bond**, Cu, gr. Cargo train at busy station, workers in background. Columbian & eagle against scenic country scene. Tiny edge split at top and left, else a lovely decorative bond. NBN. *RN-P5*(2). *RN-W2*. **($70-Up)**

14 **Burlington & Missouri River Railroad** (IA) 1874. **10 shs**, grey border, green underprint. Train. Trimmed close at left and bottom. Seibert & Bros. **($35-Up)**

15 **Jamestown, Chautauqua & Lake Erie Railway** (NY) 1904. **10 shs**, orange. Train. **($25-Up)**

16 **Cochiti Gold Mining** (NJ) 1899. **9 shs**, grey border, orange underprint. *R167* (verso, cancelled with company initials and date). **($30-Up)**

17 **Mizpah Extension of Tonopah** (DE) 1902. **1000 shs**, grey, green, embossed corporate seal. Beehives in circle at top left. **($25-Up)**

18 **Banker Mining & Tunnel** (CO) 1906. **500 shs**, grey, green embossed corporate seal and underprint. Miners at top left and along borders. **($30-Up)**

19 **American Type Bar Machine** (WV) 1900. **$16**. 6% Gold Debenture, green, embossed corporate seal. *R164* (cancelled with initial of president and date). **($30-Up)**

20 **Thomas A. Edison** (NJ) 1943. **15 shs**, brown. Issued to **Charles Edison**, son of Thomas, signed by him as president and on verso. P. Obverse signature is partially affected by tiny cancellation holes. **($150-Up)**

21 **Clapp Motor-Carriage** (NJ) 1900. **300 shs**, br. #7. 7% Cumulative. P. **($100-Up)**
Clapp worked with the Duryea brothers in Massachusetts. He then attempted to establish his own manufacturing business in 1900. Clapp built an experimental model that ran 100 miles on 6 gallons of gasoline, but he never got it into production.

22 **Union Gas Light of the City of New York** 1872. **40 shs**, gy. Eagle on shield and arrows. Light foxing along fold and right border. **($35-Up)**

23 **Knights of Honor** 1881. **$2000**. Benefit certificate, gy. Corporate seal and colors, winged lions. Tiny fold splits on top edge. Early and highly decorative. **($25-Up)**

24 **Cactus Mining** (UT) 1889. One share, Cu, green underprint. Eagle. Issued in Paris. **($50-Up)**

25 **Union Iron & Coal** (PA) 1854. **$1000**. 7% Loan. Ornate left border, blue corporate seal. Signed as president and as trustee by **Moses Taylor** (1806-1882), American businessman and financier. **($75-Up)**

26 **Massachusetts & New Mexico Mining** (CT) 1879. **8 shs**, title in red. #9. Miner. **($30-Up)**

27 **Baltimore Steamship** (DE) 1924. One share, bl. Beautifully engraved vignette of steamship. P. **($75-Up)**

28 **Chicago & Canada Southern Rwy** (IL-IN-OH-MI) 1873. **$140**. 7% Interest Bond, Cu. Train station by intersecting tracks. POC's only on coupons. Seibert & Bros. **($60-Up)**

29 **New York & Harlem Rail Road** (NY) 1941. **100 shs**, gy, printed corporate seal. Train. Sailors. ABN. **($20-Up)**

30 **Golden Sun Mining & Milling** (WY) 1905. **3300 shs**, gold borders and embossed corporate seal. Miners. **($30-Up)**

31 **Ringling Bros. - Barnum & Bailey Combined Shows** (DE) 1971. **100 shs**, green. Multicolored inner frame consisting of clowns, acrobats, circus wagons, lions, tigers and many more. A superb example of this extremely popular and modern-day classic certificate. ABN. **($575-Up)**

32 **Hawk-Eye** (IA) 1880. **108 shs**. #4. Maiden amidst farm tools and produce. **($35-Up)**

33 **Michigan Central Rail Road** (MI) 1885. **$5000**. go-br. Train at loading dock flanked by shepherd and maiden. ABN. ❑ **$1000**. Similar, only green. **($60-Up)**

34 **Owl Oil** (CO) 1918. **1000 shs**, gr. Oil field flanked by owls. Oil geyser along side borders. **($25-Up)**

35 **I.O.S. (Investors Overseas Services)** 1971. **5 shs**, pr. Bearer Share Warrant, Cu. Bare-breasted woman with globe and caduceus flanked by factories. Canadian Bank Note. **($35-Up)**

36 **Metropolitan Associates of New York** (NY) 1907. **$1000**. 6% 20-Year Bond, Cb, gr. Harbor scene featuring ships, "UNION" ferry, and the Brooklyn Bridge. Quite a beauty! FLB. **($70-Up)**

37 **American Cable** (NY) 1877. **25 shs**, br. Allegorical woman in sky with lightning through her hands. Morse, bottom center. Two slight waterstain spots at top left. Continental Bank Note. Issued to Samuel B. Morse, but not signed by him. **($100-Up)**

38 Check: **Climax Manufacturing** (PA) 1901. *Corry*. **$78.10**. Title flanked by locomotive and factory complex. Manufacturers of Tramway locomotives, logging cars, drilling and pumping engines. **($30-Up)**

39 **Pile Fabrics** (NY) 18_. **Shares**. Fabric machine flanked by faces of a $100 Liberty head coin in red. U. **($25-Up)**

40 **Black Diamond Anthracite Coal** (NJ) 1905. **500 shs**, gr. Miners. **($20-Up)**

41 **New York City Dock Bond** (NY) 1870. **$5000**. rd, gr embossed corporate seal. Harbor scene flanked by allegorical women. NYC arms, bottom center. Minor edge splits, top and bottom. Signed by **A. Oakey Hall** as mayor and **Richard B. Connolly** as comptroller; all allegedly members of the notorious Tweed Ring. **($25-Up)**

42 **Gould & Curry Mining** 1928. *San Francisco*. **100 shs**. Tiny cancellation holes. **$20-Up)**

43 **First National Bank & Trust** (NY) 1931. *Yonkers*. **1000 shs**. Early city scene, horse & carriage. **($15-Up)**

44 **Republic of China 27th Year Gold Loan** (1938). *English & Chinese*. **$5**. Bearer Bonds, Cs, bl, or underprint. Printed Amortization on verso. Tiny edge splits at left. **($25-Up)**

45 **Insull Utility Investments** 1930. **$1000 bond**, Cs, br. Allegorical man seated on dynamo flanked by factories. Facsimile signature of Samuel Insull on the verso. ABN. Insull was Edison's financial advisor and later founded his own utility empire. Insull investors were wiped out by the Great Depression of the early thirties. **($30-Up)**

46 **Arnold Electric Tool** (CT) 1920. **5 shs**, gy, br embossed corporate seal. #3. Beehives. P. **($15-Up)**

47 **Dominion Copper** 1908. **100 shs**, gr. Copper workers. ABN. **($20-Up)**

48 **Carlton Plaza** (MI) 1923. **$500 bond**, Cb, Cu, gr. #34. Extension Agreement. Eagle, globe. Central Bank Note. **($20-Up)**

49 **American Trotting Register** (IL) 1908. Offical Certificate, br borders, rd embossed corporate certificate. Trotting horse, upper left corner. **($25-Up)**

50 **Sinclair Oil** (NY) 1959. **100 shs**, or. Oil tanks flanked by allegorical figures. CBN. ❑ **Mobil Oil** (NY) 1966. **152 shs**, ol. Woman with torch. Winged horse. ABN. [2] **($15-Up)**

51 **American Airlines** (DE) 1973. **$1000. Registered Bond**, go-br. Mercury gazing at airport below. SCB. ❑ **United Air Lines** (DE) 1966. **$1000. Registered Bond**, bl. Mercury. ABN. [2] **($15-Up)**

52 **Phelps Dodge** (NY) 1955. **100 shs**, bl. Seated allegorical man fronting industrial complex and mountains. ABN. **($10-Up)**

53 **New England Oil** (VA) 1925. **1000 shs**, br. Train carrying barrels of oil, pier scene. ABN. **($15-Up)**

54 **Tuolumne Copper Mining** (AZ) 1917. **100 shs**, br. Miners. WBN. **($15-Up)**

55 **Only Chance** (MT Territory) 1882. **$500**. First Mortgage Bond. #8 of only 80 authorized issued. Mining bonds are scarce. **($70-Up)**

56 **McKinley Gold Mines** (AZ) 1909. **1000 shs**, br, go embossed seal. Justice, Education. Full-width vignette of eagle, bottom center. **($25-Up)**

57 **Sterling Goldfield** (AZ) 1906. **500 shs**, or. Washington Capitol. Tiny fold splits along top & bottom edges. **($20-Up)**

58 **American Motion Picture** (DE) 1924. **5 shs**, or. Eagle. FL-ABN. P. **($20-Up)**

59 **Galena Hill Gold & Silver Mining** (NV) 1902. **500 shs**, all br, go corporate seal. Eagle. **($25-Up)**

60 **Lewis & Clark Oil & Gas** (WY) 1921. **25 shs**, gy, go embossed seal and underprint. Oil drilling site. Tiny fold splits, top and bottom edges. **($20-Up)**

61 **Society of Pacific Coast Pioneers** (NV) 1877. *Virginia*. **$10**. Promissory Note. Bear. **($30-Up)**

62 **Ohio & Missouri Mining** 1847. *Cincinnati*. **One share**. Bearded man seated by anvil, gears, cornucopia, etc. Justice. George Washington. Helmeted figure. Hand shaking, bottom center. Bank note size certificate engraved by RWH. Tiny ink smudge partially affecting right vignette. **($100-Up)**

63 **Canal Interoceanique de Panama** 1880. *Fr.* **500 Francs**, Cs, Cu, all blue. Full-width scenic of canal flanked by allegorical figures and ships. Uneven security cut at left. **($30-Up)**

64 **Portland National Bank** (ME) 1904. **5 shs**, gy, go corporate seal. State arms. Rubber stamp & ink cancellations. **($15-Up)**

65 [Delaware & Hudson Canal] **New York State 5% Stock** 1827. **1000 shs**, #16. Minor ink corrosion. **($45-Up)**

66 **Miners & Merchants Bank** (AZ) 1935. *Bisbee*. **7 shs**, bl. Miners examine ore underground. **($10-Up)**

67 **Ashtabula & Lake Shore Railway** (OH) 1907. **3 shs**, go embossed seal & underprint. Trolley. **($20-Up)**

68 **New York Cable Railway** (NY) 1884. **$1000**. First Mortgage Coupon Bond, Cs, Cu, rd "1000". Nice and unusual large certificate. ABN. **($60-Up)**

69 **Carteret Oil** (DE) 1922. **30 shs**, or. Oil field by lake. Oil geyser along side borders. **($15-Up)**

70 **Gum Cove Oil & Refining** (DE) 1920. **100 shs**, or. Oil field. Brown highlighter on title. **($15-Up)**

71 **American Autocashier** (DE) 1922. **500 shs**, br. Allegorical women and beehive, factory in the background. **($20-Up)**

72 **Warren Savings & Loan** (OH) 1922. **20 shs**, gy, go embossed seal and underprint. Eagle, sunset and city in background. Printed by-laws bound with certificate. **($20-Up)**

73 **Russian Imperial Government** 1916. **$1000.** 5-Year 5% Bond, Cs, gr. Russian seal in circle flanked by allegorical women. Tiny strip of glue staining at right, else lovely and attractive. ABN. ($50-Up)

74 **North American Oil & Refining** (DE) 1921. **20 shs**, br. Eagle on shield. FL-ABN. ❑ **North American Oil** (DE) 1922. **100 shs**, or. SBN. [2] ($20-Up)

75 **Columbia Oil & Gas** (OH) 1921. *Columbus*. **3 shs**, gr. #5. Oil field in circles at top corners. ($15-Up)

76 **Bear Creek Oil & Gas** (OH) 1922. *Columbus*. **2 shs**, gr. Oil fields in upper left and right corners. ($20-Up)

77 **U. S. Gasoline Manufacturing** (VA) 1923. **100 shs**, br borders and underprint. Allegorical figures and beehive, factory in background. ($20-Up)

78 **Royal Arcanum** (OH) 1921. *Lancaster*. **$1000.** Benefit Certificate, gy. Corporate seal flanked by griffins. ABN Lith. ($25-Up)

79 **United Petroleum** (OH) 1921. **20 shs**, br. #24. Title on fancy scroll. Yellow gas station central underprint. ($15-Up)

80 **Duquesne Oil** (DE) 1919. **10 shs**, bl. Eagle. RBN. ($15-Up)

81 **Broadway & Seventh Avenue RR** (NY) 1912. **One share**, gy. Intersecting city street scene. Eagle, stars and colors. NYC arms. Rubber stamp cancellations. POC. ($30-Up)

82 **Baltimore & Ohio Rail Road** 1887. **10 shs.** Preferred 6% Stock "Secod Series". Train. ($25-Up)

83 **Old Colony Rail Road** 1878. **10 shs**, gy. Train passing through busy port, ships in background. ABN. ($10-Up)

84 **Elmira, Jefferson & Canandaigua Rail Road** (NY) 1859. **25 shs**, all pr. Locomotive. *R44* (cancelled with company initials and date). ($75-Up)

85 **Duluth Evening Herald** (MN) 1890. **5 shs.** #7. Unusual vignette featuring three bearded men. Minor archival tape repairs on verso. ($20-Up)

86 **Middlebrook's Almanack** (CT) 1839. Printed pamphlet, 20pp, sewn together, featuring vintage locomotive on front cover, calendars with significant events and lunar schedules, etc. Early and interesting. Published by John A. Wood, Norwalk, Ct. ($50-Up)

87 **Trail Canyon Mining** (SD) 1907. **100 shs**, gr. Eagle. SBN. ($30-Up)

88 **Silver Glance Mining of Nevada** (SD) 1907. *Tonopah*. **100 shs**, gy, go embossed corporate seal and underprint. Miners. Gold diggers in circles, top left and right. Stain spots along left blank margin. ($30-Up)

89 **National Match** 1901. **50 shs**, ol. Voting Trust Certificate. Maiden at top left. ABN. ($15-Up)

90 **Quarry Water** (PA) 1907. **10 shs**, gy, go embossed corporate seal and underprint. #5. Indian warrior, ships. ($15-Up)

91 **Goldfield Treasure Mining** (AZ) 1917. **5000 shs**, or. Miners. Incorporated in 1904. ($25-Up)

92 **Tecopa Consolidated Mining** (SD) 1910. **500 shs**, or. Indian "Chief Tecopa". Light soiling along blank top margin. ($35-Up)

93 **Cincinnati & Lake Erie Rail Road** (OH) 1930. **80 shs**, br. Eagle. FL-ABN. Class B. P. ($20-Up)

94 **Cape May & Millville RR** 1875. **80 shs**, gy. Spectacular vignette of the seashore with beach walkers and bathers in the ocean, fully clothed. Slight glue staining at left. ($60-Up)

95 **Denver & Rio Grande Western RR** (DE) 1924. **$1000.** General Mortgage Sinking Fund Gold Bond, Cs, or. Busy train station. Few staple holes. ABN. ($40-Up)

96 **South Carolina** 18__. **Deficiency Stock**, gr. Palm tree. Man feeding horse. State seal. Unissued. ($25-Up)

97 **Chicago, Indiana & Southern RR** 1918. **$10,000.** Registered 50-Year 4% Gold Bond of 1906, ol. Train leaving a busy station. ABN. POC. ($30-Up)

98 **Moonlight Mining** 1881. *San Francisco*. **500 shs.** Unusual certificate featuring a silver full moon. Smaller format. Issued to C. E. Gillett and signed by him as president and as trustee. ($150-Up)

99 **Beech Creek RR** (PA) 1886. **370 shs**, gr. Train. Rubber stamp cancellations. ABN. POC. Issued to and endorsed on verso by **Chauncey Depew** transferring stocks evenly to **Cornelius** and **William K. Vanderbilt**. The only issued one found of this type. ($100-Up)
Organized in 1886 as a successor to the Beech Creek, Clearfield & Southwestern RR, which ran between Jersey Shore and McHaffey Junction, PA.

100 **Newark Turnpike** (NJ) 1810. **150 shs.** Partly printed stock transfer executed by The New Jersey RR & Transportation. Early and in superb condition. ($80-Up)

101 **Chalk Banks Stock Company** 1837. **One share.** Certificate of Stock, purple, on red paper. ($80-Up)
Owner of share was entitled to an interest in 800 acres of land, lying immediately on the bank of the Mississippi River, two miles below the Town of Columbus, Hickman County, Kentucky, including the Chalk Banks, to be laid off into a new town, of convenient size for manufacturing purposes, ship yards, wood yards, etc.

102 **Wrigley Pharmaceutical** (DE) 1926. **10 shs**, or. "SPEARMINT TOOTHPASTE" tube. SBN. Signed by **W. W. Wrigley** as president (not connected with the Wrigley Spearmint Gum Company, but still an attractive and interesting item). ($60-Up)

103 **Egypt Rwy of North Carolina** (NC) 1900. **One share**, all rd-or. #15. Train, steamships in the distance. ABN. ($80-Up)

104 **Belfast & Moosehead Lake RR** (ME) 1881. **5 shs**, gy. Locomotive passing under bridge. State arms. ($50-Up)
Minor edge splits at top. New England Lith.

105 **Tuxpam Star Oil** (DE) 1918. **1000 shs**, gr. Oil field. ($15-Up)

106 **Baltimore Ship Supply** (MD) 1920. **5 shs**, gy, gr embossed corporate seal and underprint. Eagle on shield. ($25-Up)

107 **Lincoln Motor** (DE) 1920. **20 shs**, or. Class A Temporary Certificate. ABN. Tiny cancellation holes partially touching signatures of **W. C. Leland**, VP, and **Wm. T. Nash**, treasurer. ($30-Up)

108 **Charleston & Savannah RR** (SC-GA) 1856. **$500**, Cu. Train. Light water staining. Walker, Evans & Co. imprint. ($200-Up)
A rare railroad bond; part of a Mortgage Loan of $510,000 guaranteed by the State of South Carolina, which were recalled when the road went bankrupt in 1865 and was reorganized.

109 **Sullivan Machinery** 1922. **Employees' Benefit Certificate**, or. Mercury seated on top of a dynamo flanked by men working. Summary of Benefits on verso. WBN. ($20-Up)

110 **Intercolonial Club of Boston** (MA) 1914. **One share**, gy, gr underprint. Two tiny edge splits on top. Printed by-laws on verso. ($30-Up)

111 **Southern Savings Life & Accident Insurance** (VA) 1908. *Norfolk*. **One share**, gr, rd-or embossed corporate seal. Coin-operated insurance policy vending machine illustrated at top left. ($25-Up)

112 **Prof. Wm. Emanuel's School Of Chiropody** (IL). *Chicago*. Certificate of Completion, gy, gr underprint. Portrait of Wm. Emanuel, inventor of scientific chiropody, and his facsimile signature. ($25-Up)

113 **Columbia Graphophone Manufacturing** (DE) 1922. **100 shs**, bl. Company logo flanked by angels holding "Columbia Records" music sheets. ABN. ($30-Up)

114 **New York County Court House Stock No. 2** (NY) 1858. **3000 shs**, all bl, rd embossed corporate seal. #12. Tweed Court House estimated at $350,000 but cost over $10,000,000 to build! Signed by Mayor **John Hoffman** and Comptroller **R. B. Connolly** of the Tweed Ring notoriety. Cut and ink cancellations partially affecting signatures. ($50-Up)

115 **Mechanics Bank** (CT) 1917. *New Haven*. **5 shs**, or. Office building. ($20-Up)

116 **De Forest Radio** (DE) 1929. **57 shs**, or. Allegorical figures holding "de Forest" scroll, mountains and lakes in background. HBN. ($30-Up)

117 **United States Automotive** (DE) 1922. **5 shs**, gr. "Lexington Minute Man" holding rifle. Light waterstaining along two vertical folds. HBN. ($35-Up)

118 **Fox Theatres** (NY) 1930. **30 shs**, bl. Allegorical woman and child with lion. ABN. ($25-Up)

119 **Moulton Mining** (MT) 1885. *Butte City*. **100 shs**, all bl. Miners working inside tunnel. Miner looking down at train, bottom center. ABN. Signed by **W. A. Clark** (1839-1925) American merchant and mine operator who built one of the West's great mining businesses; U. S. Senator, 1901-7. ($50-Up)

120 **Old South Building Association** (MA) 1936. *Boston*. **58 shs**, br. "Old South Building", top left. JAL. ($20-Up)

121 **Cripple Creek Free Gold Mining & Milling** (CO) 1902. *Cripple Creek*. **1000 shs**, go. Miners working underground. Serious fold splits and light scattered waterstaining. Two *R168* (cancelled with the president's initials and the date). ($40-Up)

122 **Mississippi State** 1838. **$2000.** 5% Loan from the Mississippi Union Bank, Cu, purple paper embossed seal. Allegorical figures against rural settings. Eagle on shield, either side. Steamships. Repaired marginal edge split at top. DTL. ($200-Up)
Endorsed to the Agency of the United States Bank in London.

123 **Cairo & Norfolk RR** (KY) 1908. *English & French*. **$100.** First Mortgage 5% 20-Year Sinking Fund Gold Bond, Cs, or. Speeding train, steamship. ($25-Up)

124 **National Metropolitan Citizens Bank Of Washington** (DC) 1906. **10 shs**, gy. "CITIZENS" in title crossed out. Capitol. Rubber stamp cancellation partially touching vignette. ($15-Up)

125 **Torrington & Winchester Street Rwy** (CT) 1897. **5 shs**, gr. #35. Title amidst clouds. ($30-Up)

126 **New York & New Haven RR** 1848. **40 shs**, bl on greyish paper. #46. Scattered discolored spots, trimmed tight at left partially touching ornate border, and ink cancelled in red, otherwise early and fine. ($50-Up)

127 **Azores Dairy Bank** (CA) 1929. **5 shs**, embossed corporate seal. Westen Lith. ($10-Up)

128 **Bank of Hollywood** (CA) 1928. **10 shs**, or. Title on ornate scroll. ($25-Up)

129 **Unadilla Mining** (NY) 1880. **100 shs**, grey borders, green eagle and gold denomination underprints. Unusual and attractive. ($50-Up)

130 **Brains Publishing** (NY) 1894. **67 shs**, gy, gr underprint. #24. ($35-Up)

131 **Whale Mining** (UT) 1916. **1000 shs**, gr borders and embossed corporate seal. Miners. *R204* (cancelled with date and initials). Two file holes at blank left margin. ($25-Up)

132 **First National Bank of Canonsburg** (PA) 1928. **6 shs**, gy. Bank on busy street corner. ($15-Up)

133 **Mohawk Mining** (MI) 1923. **10 shs**, gr. Indian chief in circle at left. JAL. POC. ($30-Up)

134 **Red Elephant Mining & Transportation** (OK) 1907. **1600 shs**, go. Mountain trails. Miners in circles. ($30-Up)

135 **Shreveport-El Dorado Pipe Line** (LA) 1929. *Shreveport*. **10 shs**, pr. Eagle. EAW. ($25-Up)

136 **Allentown Iron** (PA) 1874. **4 shs.** Eagle, factory, ship. ($35-Up)

137 **Connecticut Treasury Office** 1789. *Hartford*. (Anderson CT-27). Printed Army Refunding certificate, signed by J. Huntington as treasurer. Very slightly aged around the edges only. ($30-Up)

138 **Sandy River & Rangeley Lakes Rail Road** (ME) 1908. **$1000.** First Mortgage 4% Gold Bond, Cb, gr. Locomotive #2980. FLB. ($30-Up)

139 **American Druggists Syndicate** (NY) 1914. **5 shs**, bl. Fireplace, retorts, flasks, mortars-pestles. ($50-Up)

140 **Corporation Securities of Chicago** (IL) 1930. **One share**, ol. Allegorical man holding lightening bolt and book, eagle, factory and dam. RBN. ($15-Up)

141 **Submarine Boat** (NY) 1919. **100 shs**, br. ABN. ($25-Up)

142 **New Tuxpam Star Oil** (DE) 1922. **1500 shs**, gy, go embossed corporate seal and underprint. Oil drilling site. Oil tank, geyser and site along borders. ($15-Up)

143 **Tombstone Consolidated Mines** (AZ) 1910. **100 shs**, br borders and underprint. Factory, miners (inset). ($40-Up)

144 **Midway Oil** (AZ) 1917. **300 shs**, br. Eagle flanked by Indian camp and train leaving city. ($15-Up)

145 **Commonwealth Tungsten, Gold & Silver** (MA) 1918. **50 shs**, gr. Eagle. ($15-Up)

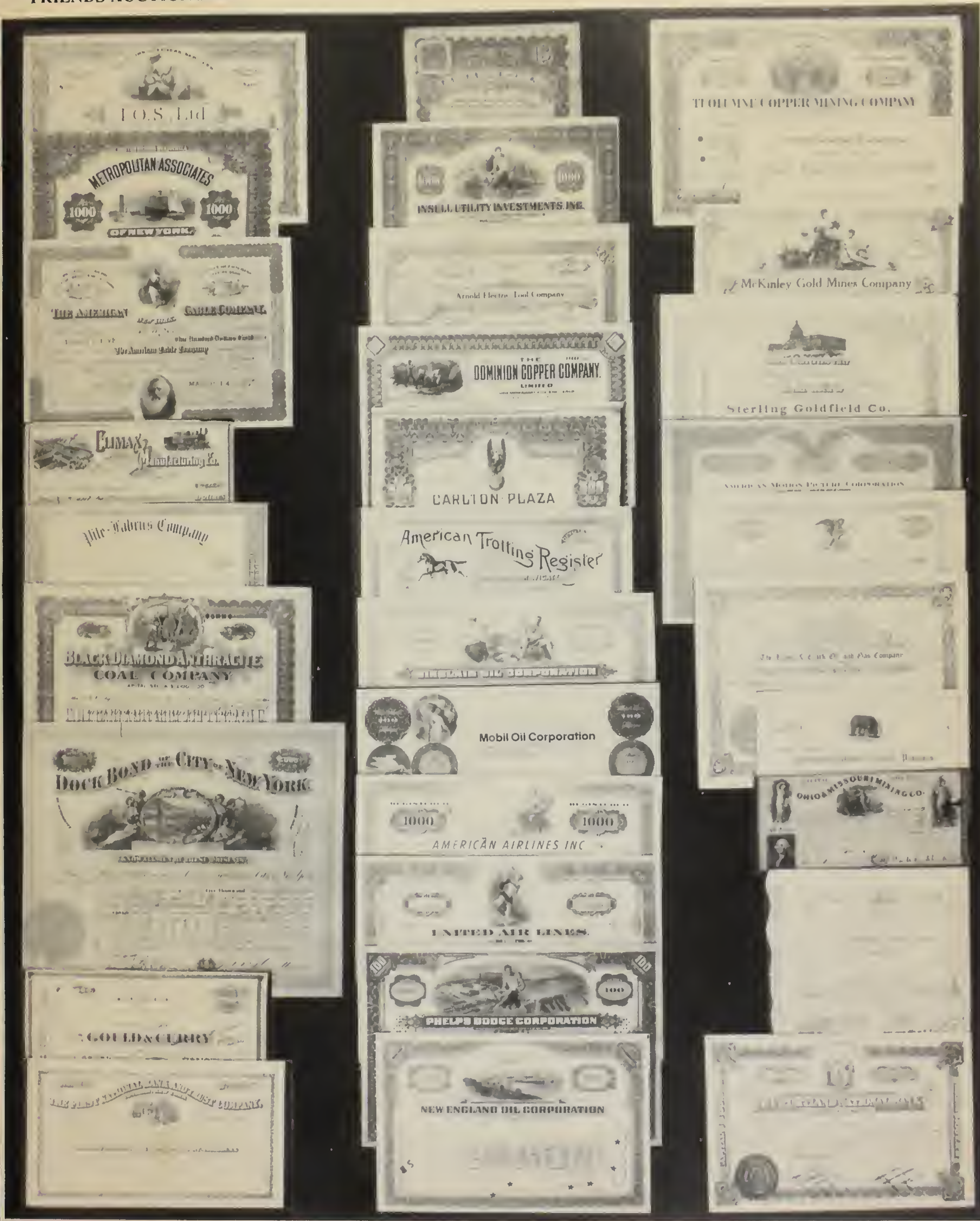
146 **Connecticut** 1783. Pay Table Office. **£0.17.3-1/2.** Signed by Oliver Wolcott, Jr. Cancellation hole in center. ($25-Up)

147 **Connecticut Treasury Office** 1789. Printed Army Note, issued to Ephraim Starr for £211.15.92. Signed by J. Huntington as treasurer. ($50-Up)

148 **Tremont Fireproof Storage & Refrigerating** (NY) 1916. **600 shs**, or. #24. Allegorical woman holds up wreath flanked by Indian camp, teepees and warehouses. ($15-Up)

PHOTO PLATE PAGES FOLLOW – NEXT 5 PAGES.

Lot Nos. 1 - 12 *Lot Nos. 13 - 23* *Lot Nos. 24 - 34*

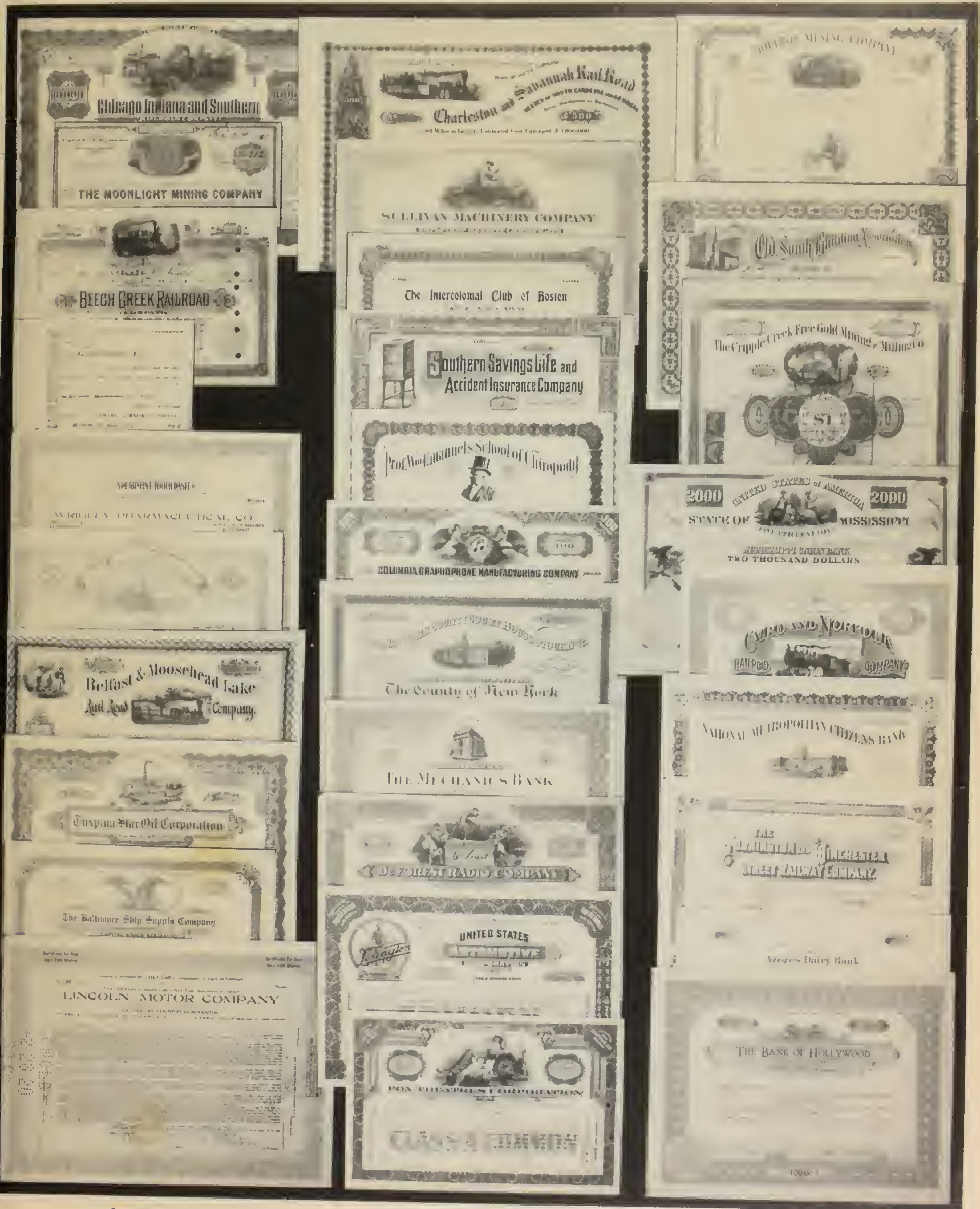


Lot Nos. 35 - 43

Lot Nos. 44 - 53

Lot Nos. 54 - 64

Lot Nos. 65 - 74　　*Lot Nos. 74 - 85*　　*Lot Nos. 86 - 96*



Lot Nos. 97 - 100, 102 - 107

Lot Nos. 108 - 118

Lot Nos. 119 - 128

Classic Clips

William R. Travers was one of the great bears of 19th-Century Wall Street, regularly battling with titans like Commodore Cornelius Vanderbilt, Jay Gould, and James Fisk. Despite a bad stutter, he was among Wall Street's sharpest wits. Even on his deathbed in Bermuda, he was quick with a quip: A friend, making small talk, told Travers, "What a nice place Bermuda is for rest and change." Replied the great bear: "Yes, the waiters get the change and the hotel keeps the rest." In these excerpts from Henry Clews' classic *Twenty-Eight Years in Wall Street (1888)*, Travers skewers his colleagues in finance, including the balding Clews.

• • • •

As I entered the room, Travers said, in an audible voice: "Hallo, boys! here comes Clews, the self-made man." Then, addressing himself to me, he said: "I s-s-say, Cl-Cl-Cl-Clews, as you are a s-s-self-made man, wh-wh-why the devil didn't you p-put more h-h-hair on the top of your head?"

On the principle that misery loves company, and as Mr. Travers had brought misery to my lot by drawing public attention to my bare head, I found consolation, shortly afterwards, in a huge joke that the same facetious individual perpetrated upon another member of the Club, who happened to be one of New York's most celebrated lawyers. This gentleman, it is well known, has been connected with some of the largest and most remunerative railroad cases in our courts for many years, and being considered a great authority in that branch of legal lore, he was accustomed to exact his own terms from his wealthy clients, which meant, in most instances, a very fat fee. This gentleman was standing on the side of the street opposite the Club one afternoon, while Travers was surrounded by a cluster of club men on the other side. "Look across the way, boys," observed Travers, "th-th-there's B-B-Barlow with his hands in his own p-p-pockets at last."

On another occasion, when Travers, who resides at Newport in the summer, and is the possessor of a small sized yacht there, which he obtained some years ago in lieu of a debt, was taking a refreshing sail on his yacht in the bay one morning, it happened that a squadron of yachts appeared in his vicinity, and there was going to be a race. Travers having been made acquainted with the fact, invited a party of friends to go see the race. As soon as it became known to the yachtsmen that the renowned Travers had appeared on the deck of his yacht, a committee was assigned to convey to him the respects of the members of the squadron. When they came alongside his craft he invited them on board, and saw at a glance that they nearly all happened to be bankers and brokers. Casting his eyes across the glittering water, he beheld a number of beautiful white-winged yachts in the distance, and finding, by inquiry, that they all belonged to Wall Street well known brokers, he appeared thereby to be thrown momentarily into a deep reverie, and, without turning his gaze from the handsome squadron, finally asked his distinguished visitors, "wh-wh-where are the cu-cu-customers' yachts?"

Comment would be entirely superfluous.

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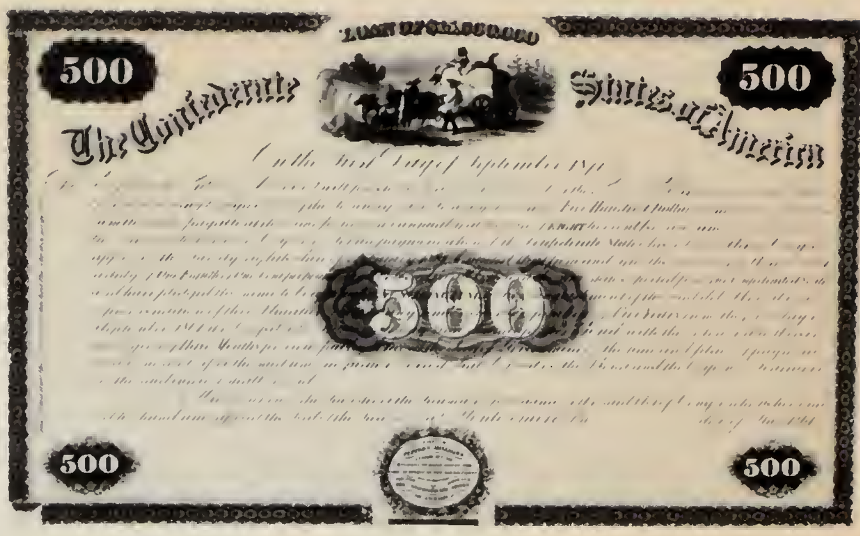
New Confederate Bonds Discovered

By Douglas B. Ball



The Confederate States of America $500 essai bond printed by the American Bank Note Company in its New York office in 1861.

A rare pair of Confederate discovery bonds have recently turned up in the archives of the American Bank Note Company.

Under the provisions of the Confederate Congress' act of February 28, 1861, the southern Treasury was authorized to sell up to $15 million in coupon bonds and registered "stock," the bonds to be in denominations of $50, $100, $500 and $1,000. Confederate Treasury Secretary C.G. Memminger telegraphed the New Orleans branch office of the American Bank Note Co., whose resident partner was Samuel Schmidt, asking Schmidt to print the registered bonds, or "stock." The printing of the coupon bonds was split between American Bank Note, which was awarded the higher-quality $500 and $1,000 denominations, and John Douglas, a native New Orleans engraver, who was assigned the $50 and $100 bonds. The Treasury Secretary felt that the Confederacy should not be reliant exclusively upon securities printers in the north, so he split the order to help promote southern printing firms like Douglas'.

On April 14, 1861, just two days after Confederate forces opened fire on Ft. Sumter, a package came to the Treasury Department in Montgomery, Alabama. Inside, Memminger found books of registered bonds printed by American Bank Note not at its New Orleans press but in New York. An enclosed letter said that the rest of the order — all told, four books of 250 certificates for each of the four denominations — was on the way. Each bore the imprint of the New Orleans branch but had obviously been engraved and printed in the enemy stronghold of New York.

Surprised and alarmed, Memminger shot off a telegram to Schmidt, demanding to know why an order meant to be executed in New Orleans had been handled in New York. Schmidt replied that his shop had only a limited capacity for doing original work. The New Orleans branch generally filled printing orders for local banks and other customers with plates made in the north; any complex jobs were sent to New York. Memminger retorted angrily that he could have placed the orders directly with New York himself had he wanted the work done there. The whole point of signing the contracts with American Bank Note's New Orleans office was to keep this "confidential business" from being done outside the new Confederate nation.

And where, Memminger asked, were the high-denomination coupon bonds? Schmidt stated that he had sent that order, too, to New York. Memminger guessed that order had not yet been filled, and he ordered Schmidt to print those $500 and $1,000 bonds in his shop and to get them to Montgomery on the double. Schmidt complied, printing about 12,411 $500 and $1,000 bonds. Contrary to American Bank Note's usual policy, they did not bear any imprint. Only in the summer of 1861 did Schmidt resurrect the name "Southern Bank Note Co.," to which Tracy Edson had acquired the rights in 1839. Schmidt used it on his work for the Confederate government and others until the Union captured New Orleans in April, 1862. To judge by the 10% Mississippi state treasury notes put out in this period, also made in New York, it was the custom to imprint securities with the name of the branch from which the order had been received. The practice was merely traditional and was not meant to be deceptive, as has long been thought; but it cer-

tainly could mislead the unwary and may have confused the Union authorities.

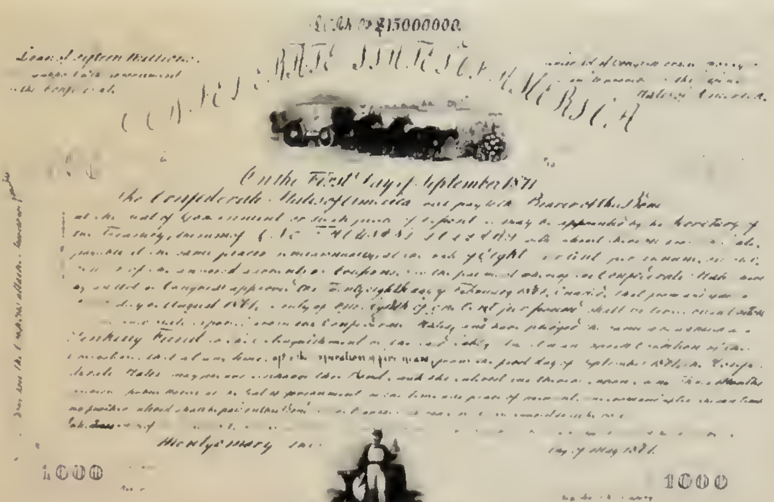
So what had happened to the order for the $500 and $1,000 coupon bonds that Schmidt had placed with the New York office? The printing plates were seized in raids on the printers' premises by U.S. Marshals in 1861. But the fate of the certificates themselves remained a mystery for generations, as American Bank Note officials professed to have no record of the bonds or any order for them. The third package of the certificates appears never to have reached Montgomery, but remainder bonds from that group have recently turned up. They were apparently either seized as booty or taken as souvenirs by some of the federal agents. Any of these bonds are so rare that it was a particular surprise when two of the coupon essai bonds — preliminary designs not used on the final bonds — recently re-emerged from historical obscurity.

In the Civil War era, the customer ordering certificates from a bank note company would give detailed printing instructions. For a bond, the engravers needed the text of the public act or corporate resolution that authorized the debt. If portraits were required, the printer would be provided with a recent photograph, engraving, or drawing of the subject. Local landscapes or allegorical figures might also be specified. If, as in this case, no vignettes or designs were requested, the engravers would design the certificate themselves, within the general guidelines suggested by the customer.

To judge by these two bonds, the Confederate Treasury must have provided Schmidt a complete text of the bond act; the wording running up the left side specifies that the bonds will be payable at a certain point, which is left blank. The bonds that eventually were issued, printed by Douglas and Schmidt (Criswell 5,6,7, and 8), lack this payment proviso. Evidently intended to prevent embarrassment if too many bonds were presented at a pay depositary's office, the proviso must have later been deemed unnecessary. I have never seen one with a filled-in blank.

Once the text was in hand, the engraver would make a paper mock-up of the bond and use services of a person with fine handwriting to lay out the text. He would then select proposed vignettes or a suitable protector/tint plate, which is an elaborate design engraved into the plate (often in color) to prevent counterfeiting. These elements might at first be crudely drawn or proof vignettes procured; then they would be cut down to proper size and glued into place. Next the plate would be broken up into different parts, with a letterer engraving the text and a vignette engraver handling the images. Unless a new protector/tint plate were used, a plate with the selected material would copied for printing. "Pulls," or rough prints, would then be made on thick cardboard. Meanwhile, a letterer would be working on the plate of coupons. Finally, the plate parts would be united and a complete bond would be pulled on india paper. Then a sample would be printed and sent to the customer for final approval. After making corrections, the engravers would finish the plate and print the order.

Evidently, work started first on the $500 bond since it is complete and is printed with a green protector plate on india paper. The protector is identical with the one used on the issued bonds (Criswell 7, 7A), indicating that this protector was part of the standard plate stock of each of the American Bank Note offices. Work then began on the $1,000 bond, but only the first mock-up stage was completed. Two proof vignettes, both cut down to size, were pasted on the bond. In both cases, it is at least questionable whether the work had begun on the coupon plates, which have not surfaced.



Confederate States of America $1000 essai bond, 1861, which has recently been discovered in the archives of the American Bank Note Company.

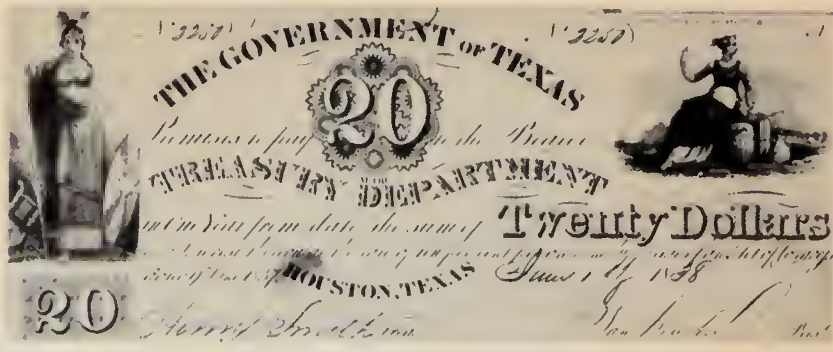
*Douglas B. Ball is a director of research with R.M. Smythe & Co., Inc. He is the author of **Financial Failure and Confederate Defeat** (University of Illinois Press, 1991).*

***Confederate and Southern States Bonds** by Grover Criswell (Criswell's & Criswell's Publications, 1980) was used as a source for this article.*

1838 REPUBLIC OF TEXAS MAY NET $6 MILLION — OR JUST BE GOOD WALLPAPER

Robert Noblitt Thinks He May Have The Ultimate Zero Coupon Bond

By John Racine (MuniFacts)



This 1838 Government of Texas note is similar to the one discovered by the Noblitt family. This $20 note bears the secretarial signature of Sam Houston.

DALLAS, June 19, 1991 — While rummaging through a family chest recently in their Oklahoma home, Robert Noblitt's grandparents found a $10 bond believed to have been issued by the Republic of Texas on Nov. 1, 1838, which bears the signature of its president, Sam Houston. After discovering the note carries a 10% interest rate that compounds until the obligation is redeemed, Noblitt set his calculator to work. So far, the way he has it figured, somebody may owe his family as much as $6 million. "I'm just taking it one day at a time," said Noblitt, a student majoring in history and education at Central State University in Edmond, Oklahoma. One of his first calls was to Danny Burger, executive director of The Municipal Advisory Council of Texas, the state's bond industry group. "That's some zero-coupon bond," laughed Burger about the find. But he said such calls are not uncommon, adding: "It happens all the time. Probably not a month goes by when we don't get a call from somebody who has found some old bonds."

Burger referred the young caller to the Texas Treasury, which passed on deciding if the bond is valid after finding that it would be an obligation of the U.S. Treasury--not the state. "The United States took on all debts of The Republic of Texas when it became part of the (Nation)," Texas Treasurer Kay Bailey Hutchison said today. Under the treaty that brought Texas into the Union, the Federal government assumed the debt the state took on in its early years. In fact, the 1838 debt was believed to have been issued at a time when the Texas Treasury was empty.

The Noblitts are not sure how--153 years later--their family, which has Texas roots, came to own the bond. But since Delbert and Pauline Noblitt made the discovery in her great-grandmother's chest, it has been their grandson's obsession. "They weren't even going to do anything about this," said Robert Noblitt, who says the bond is being kept in a safe-deposit box at The Bank of Vici in the state's panhandle. "So, I've kept after it."

So far, Noblitt has not filed a claim with anybody, though he is pressing to find out if his bond is valid or not. Experts say there may be little reason to be upbeat. Historically, such claims for payment on out-dated obligations have yielded plenty of frustration--but no money. "Usually, the states or Federal government find some way of getting out of these things," said Diana Herzog, President of R.M. Smythe & Co. in New York, and a bond historian. "Often there is some fine print that the person has overlooked."

That fine print worked against William T. Kirk Jr. in 1934 when he tried to collect on $2,490 for 88 bond interest coupons issued by Allegheny Co., Pennsylvania, in 1858, when the Pittsburgh & Steubenville Railroad was built. Like the Noblitt case, Kirk found the bonds in a family chest, but a judge ruled they were too old to be valid. The tale of another rediscovered bond is even more colorful. In 1926, a California man tried to claim payment on a $1,000 Georgia bond dated 1854, but then-state Treasurer William J. Speer refused to pay the debt. The reason? He said the bond was stolen property taken as loot by General William Tecumseh Sherman's Union Army Troops during their famous march through Georgia during the Civil War.

Even if the bond is not valid, Noblitt expects he can recoup some money because of the historical value of the bond. One collector already offered him $30 for it. "I'm on his side and I wish him well because I'm sure it's going to be a tough battle to establish a valid claim," said Burger. He noted that others who have failed to get antique bonds to pay off have found another use for them: "They make good wallpaper."

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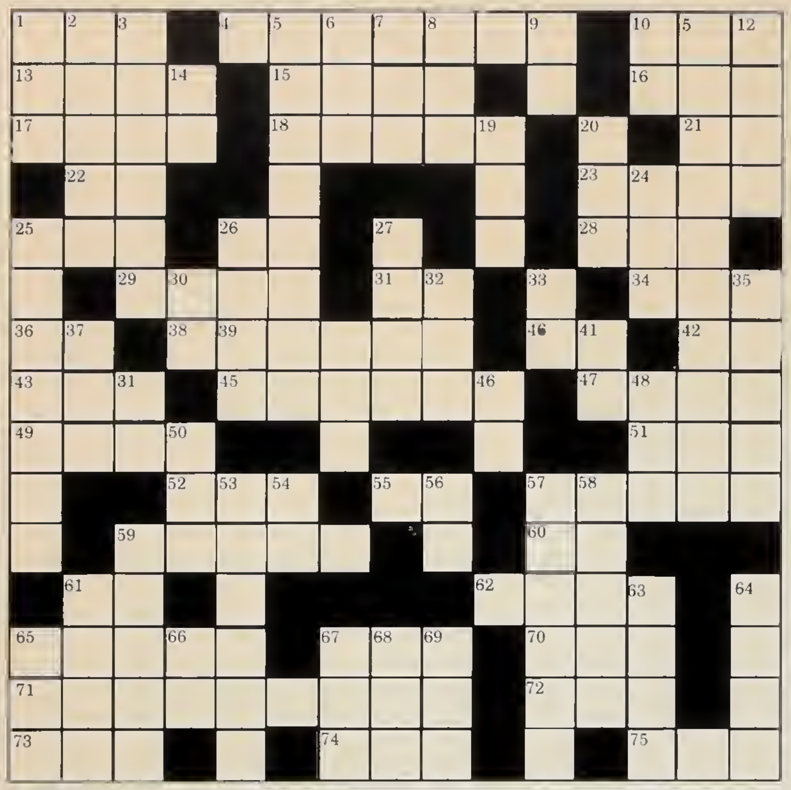

This issue's puzzle was sent to us by the scripophily puzzle master Robert S. Hettinger of Williamsburg, Va. Keep in mind that A indicates an abbreviation and I means initials. Good Luck!

Across

1. Oil baron and philanthropist (I)
4. Doc Holliday, Allan Jones, Zane Grey & Paul Revere: Each was a ____
10. Banker, financier, railroad and steel baron; benefactor (I)
13. Half of a pair of Levi's
15. Fibber
16. A personal retirement plan (I)
17. European mountain
18. Voltaire wrote, "If God did not ___ it would be necessary to invent him"
21. Egyptian actor (I)
22. Ceasar's half dozen
23. ___ reward ratio
25. ___ Wee Herman
26. "___ dear!"
28. Royal Naval Tribunal (I)
29. ___ Hayworth
31. ___ ___ Theater Circuit, Inc. (I)
34. ___ Carson
36. ___ ___, a Pittsburgh short line R.R. (I)
38. What made the Guggenheims rich?
40. Opposite of DC
42. ___ and fro
43. Is scripophily a great hobby?
45. Wall ___ has a river at one end and a cemetery at the other
47. What the Hatfields and McCoys did
49. Stupid person
51. Greek letter
52. Heft, to a cockney
55. Founded great Chicago dept. store (I)
57. First name of well-known stock & bond dealer
59. To rule over a domain
60. Municipal bond prospectus (I)
61. LI - - (method of accounting for business inventory)
62. Internal or international (A)
65. Modern species of potato
67. Opposite of 43 Across
70. An extremely long period of time
71. " To be ___ ___ ___ ___"
72. Sign sometimes seen in a theatre (I)
73. ___ or even.
74 Large entertainment company whose stock is controlled by GE
75. "New Deal" president (I)

Down

1. Fur trader and financier (I)
2. Dig into
3. Light, sharp-pointed sword
5. It has a big trunk, but is hard to drive
6. No. Stop. (slang)
7. ___ Collins has caused problems for Senator Robb
8. Does April 15 ring a bell?
9 Baseball Hall of Famer; outfielder batting avg. 367; played 1905-1928 (I)
10. Spanish singer (I)
11. Corrupt or unscrupulous person
12. Gas ___
14. Opposite directions (I)
19. A stock certificate with this inventor's signature could fetch up to $2000(I)
20. This railroad's horse shoe bend makes some of its certificates unique but not particularly valuable
24. A facsimile signature on a certificate is nice but an ___ signature is nicer
25. Stocks of this company, until 1990, had a reclining nude model vignette. The new model is fully dressed
26. Certificates of this elevator company have never reached the collector market
27. Melody
30. Architect ___ Pei
32. One Element of Value of a stock or bond
33. 8 U.S. presidents were born here
35. A network week-day morning show
37. This auto company's certificates are sometimes signed by R.H.Scott, President
39. Anger
41. He promoted the first Atlantic cable and the New York City elevated railway.
44. $^{2}/_{3}$ of the symbol of excellence & approval
46. This fertilizes 65 across (A)
48. Electric ___
50. It has wings and stings
53. What follows when a pitcher hits a batter?
54. Dr. Seuss (I)
56. Chemical symbol for iron (2 letters)
57. ___ Abe Lincoln
58. A famous, old New York City hotel
59. Merry-Go- ___
61. President or automaker from Michigan
63. Description of a (best-not-named) legislative fraternity (I) (Clue: Lackluster, Noxious, Obnoxious, Fiasco)
64. Basis of Busch fortune
65. Pigeon sound
66. Similar to Inc.
67. Either: Neither: Or: ___
68. TV network built by Leonard Goldenson
69. Would you like to acquire a certificate that meets all nine of the Elements of Value? Yea or Nay.

Puzzle answers will be published in issue #45. If you think you have a hidden talent for creating puzzles of a financial or scripophilist nature, send them to us. Friends of Financial History will pay a prize of $25.

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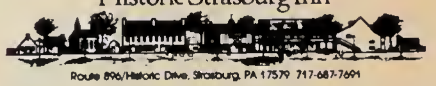

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